

LEGISLATIVE BRANCH APPROPRIATIONS FOR FISCAL YEAR 2019

WEDNESDAY, APRIL 25, 2018

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 3:30 p.m., in room SD-138, Dirksen Senate Office Building, Hon. Steve Daines (Chairman) presiding.
Present: Senators Daines, Murphy, and Van Hollen.

CONGRESSIONAL BUDGET OFFICE

STATEMENT OF HON. KEITH HALL, DIRECTOR

OPENING STATEMENT OF SENATOR STEVE DAINES

Senator DAINES. Good afternoon.

The subcommittee will come to order.

I would like to welcome everyone to the first of our fiscal year 2019 budget hearings for the agencies under the jurisdiction of the Legislative Branch Appropriations Subcommittee.

Today, we have with us the Director of the Congressional Budget Office, known as the CBO, Dr. Keith Hall; and the head of the Government Accountability Office, the GAO, Comptroller General Gene Dodaro.

I very much appreciate the willingness of the witnesses to appear before the subcommittee today and look forward to their testimony.

The total Congressional Budget Office request for fiscal year 2019 is \$50.7 million; an increase of \$0.8 million above the fiscal year 2018 enacted level.

This funding request supports the current full-time equivalent level of 239, and an additional 10 FTE, eight of which would be devoted to the areas of transparency and responsiveness, and another two FTE would be added in the area of healthcare analysis.

The total GAO request for fiscal year 2019 is \$578.9 million, which is level with the fiscal year 2018 enacted level. Though level funding, this request supports an increase in FTE from 3,020 to 3,100 by shifting investments from one-time information technology (IT) and infrastructure projects being completed in fiscal year 2018 to personnel needs. This growth in FTE would continue progress toward GAO's multiyear plan to rebuild its staff capacity to an optimal level of 3,250 FTE.

I would like to thank you both for taking time last week to meet with me and discuss some of the issues facing your agencies. They were certainly valuable conversations. I enjoyed the back and forth

dialogue and I hope to expand on some of the topics we discussed during today's hearing.

I also look forward to gaining a full understanding of your agencies' needs and priorities for the coming year to better serve the Congress and our great Nation.

And now, I would like to turn to my favorite Ranking Member, Senator Murphy, for any opening remarks he might like to make.

STATEMENT OF SENATOR CHRISTOPHER MURPHY

Senator MURPHY. Thank you very much, Senator Daines.

Really a pleasure to be joining you as Ranking Member on this subcommittee; we can build on some really great bipartisan work that both Senator Lankford and I were able to do. This is a fun subcommittee with people who are truly dedicated to helping us do our jobs, and we have two fine examples of that in front of us today.

To both of you, looking forward to your testimony. I am glad that we were able to make progress on getting the GAO made whole after a large 10 percent cut in staff over the course of the sequester.

Dr. Hall, thank you for continuing to bear up amidst all of the storms that get sent your way, as you provide analysis to Congress that tends to hold up over time, but always comes with a bit of controversy. We have to make sure, as a subcommittee, that we are protecting CBO and allowing you to do the nonpartisan, fact-based work that helps us do our jobs.

So looking forward to both of your testimonies here today. Looking forward to working with the Chairman of the subcommittee.

Thanks for being with us.

Senator DAINES. Now, I will ask the witnesses, beginning with Dr. Hall, to give a brief, opening statement of approximately 5 minutes. The written testimony of each witness will be printed in full in the hearing record.

Dr. Hall.

SUMMARY STATEMENT OF HON. KEITH HALL

Dr. HALL. Chairman Daines, and Ranking Member Murphy, and Members of the subcommittee.

Thank you for the opportunity to present the Congressional Budget Office's budget request. CBO is asking for appropriations of \$50.7 million for fiscal year 2019. That amount represents an increase of \$800,000 or 1.6 percent from the \$49.9 million provided to CBO in fiscal year 2018. Of the total amount, nearly 91 percent would be used for personnel costs.

Increases of \$2.6 million for three priorities—to pay for current staffing, to bolster responsiveness and transparency, and to expand analytical capacity—would be significantly offset by one-time savings of \$1.8 million this year. With the requested funding, CBO would be able to add 13 new employees to augment its capabilities.

To fund current staffing levels in 2019, CBO requests an increase of \$1.2 million. That amount would be used for a small increase in employees' average salary and benefits to keep pace with inflation. If such funding is not provided, CBO will need to shrink its staff

and consequently provide less information and analysis to the Congress in 2019.

CBO proposes to hire 20 new staff members by 2021 to bolster its responsiveness and transparency. In 2019, the agency would hire 10 of those new employees at a total cost of \$1 million, mainly for salary and benefits. The agency has shifted resources already to undertake such activities and has plans for further shifts, but many initiatives of great interest to the Congress could be undertaken only with more employees.

With additional resources, CBO would be able to pursue three main strategies to produce cost estimates more quickly:

First, the agency would hire more assistant analysts, who could move from one topic to another and provide support to more senior analysts when demand surged for analysis of a particular topic, such as healthcare, natural resources, or banking.

Second, CBO would hire analysts to develop deeper expertise in certain topics, such as cyber security and higher education policy, so that the agency was better positioned to analyze new proposals in those areas.

Third, the agency would hire analysts to expand its use of team approaches in which work on large and complicated proposals is shared.

CBO is actively exploring ways to provide additional information about its modeling that would be useful to Congress. The agency has released new publications this year describing its processes for producing economic forecasts, budget baselines, and cost estimates. Key staff are making presentations to congressional staff about these processes. In the coming months, efforts to bolster transparency will include the following:

Publishing detailed information about key aspects of CBO's updated model for simulating health insurance coverage, including computer code, and about how analysts use the model preparing estimates;

Developing a version of CBO's model for projecting spending on discretionary programs to allow for replicating roughly 40 percent of the agency's formal cost estimates;

Releasing technical documentation and computer code explaining how key parts of CBO's long-term budget model work and how they contribute to the agency's analyses;

Providing information online enables users to examine how a large variety of changes in baseline economic projections can affect projections of the Federal budget; and

Posting on the agency's website a tool for examining the cost of different military force structures.

Added resources would also allow CBO to produce other kinds of information that would aid transparency. For instance, CBO could provide more information about the basis for key parameters that underline the results of models. Additional funding would also help the agency turn its internal comparisons of projections and actual results—for the economy, revenues, spending, deficit, and debt—into public documents.

CBO proposes to expand its analytical capacity primarily by adding three new healthcare analysts in 2019. The total cost would be \$400,000. Congressional interest remains high in modifying or re-

placing the Affordable Care Act, and changing Medicare or Medicaid, and the new analysts would help the agency examine new approaches to do so.

The increase for the three priorities are offset by \$1.8 million in savings resulting from being able to use fiscal year 2018 funding to cover one-time costs for the migration of the agency's datacenter and contractors' supported of transparency efforts and to pay for some multiyear contracts to acquire data and to install new communication lines.

The requested amount of funding would allow CBO to provide estimates and other analyses to the Congress such as:

More than 600 formal cost estimates and thousands of preliminary, formal cost estimates;

About 80 analytic reports and papers; and

More than 100 scorekeeping tabulations, including account-level detail for individual appropriation acts at all stages of the legislative process as well as summary tables showing the status of discretionary appropriations (by appropriations subcommittee) and running totals on a year-to-date basis.

In closing, I would like to thank the Committee for its long-standing support of CBO. That support has allowed CBO to provide budget and economic analysis that is timely, thoughtful, and non-partisan as the Congress addresses issues of critical importance.

[The statement follows:]

PREPARED STATEMENT OF DR. KEITH HALL

(See the full report "Testimony, CBO's Appropriation Request for Fiscal Year 2019" in Appendix A at the end of the hearing.)

Chairman Daines, Ranking Member Murphy, and Members of the subcommittee, thank you for the opportunity to present the Congressional Budget Office's budget request. CBO is asking for appropriations of \$50.7 million for fiscal year 2019. That amount represents an increase of \$0.8 million, or 1.6 percent, from the \$49.9 million provided to CBO for 2018. Of the total amount, nearly 91 percent would be used for personnel costs.

REASONS FOR THE REQUESTED INCREASE IN FUNDING

Increases of \$2.6 million for three priorities—to pay for current staffing, to bolster responsiveness and transparency, and to expand analytical capacity—would be significantly offset by onetime savings of \$1.8 million this year. With the requested funding, CBO would be able to add 13 new employees to augment its capabilities.

Paying for Current Staffing

CBO requests an increase of \$1.2 million to fund current staffing levels in 2019. That amount would be used for a small increase in employees' average salary and benefits to keep pace with inflation. If such funding is not provided, CBO will need to shrink its staff and consequently provide less information and analysis to the Congress in 2019.

Bolstering Responsiveness and Transparency

CBO proposes to hire 20 new staff members by 2021 to bolster its responsiveness and transparency. In 2019, the agency would hire 10 of those new employees at a total cost of \$1.0 million, mainly for salary and benefits. (The additional staff members would be hired partway through fiscal year 2019, so the addition in terms of full-time-equivalent positions, or FTEs, would be 8 rather than 10.) The new staff would help CBO respond to requests for information more quickly when there is a surge in demand. They would also allow CBO to supply more information about its analysis and models without reducing the valuable services that it provides to the Congress at its current staffing level. The agency has shifted resources already to undertake such activities and has plans for further shifts, but many initiatives of great interest to the Congress could be undertaken only with more employees.

(The amount in CBO's original budget request for 2019, submitted before the recently established appropriation for 2018, was \$0.8 million.)

Expanding Analytical Capacity

CBO proposes to expand its analytical capacity primarily by adding three new healthcare analysts (a number equivalent to two FTEs) in 2019. The total cost would be \$0.4 million (\$0.3 million in personnel costs and \$0.1 million in nonpersonnel costs, mostly for interagency agreements). Congressional interest remains high in modifying or replacing the Affordable Care Act and changing Medicare or Medicaid, and the new analysts would help the agency examine new approaches to do so.

(In CBO's original budget request, the amount for "Expanding Analytical Capacity" was \$0.6 million, but a portion of the requirement has been funded from the 2018 appropriation. So CBO has redirected \$0.2 million from the originally proposed amount to address the priority "Bolstering Responsiveness and Transparency.")

Applying Offsetting Savings

The increases for the three priorities are offset by \$1.8 million in savings resulting from being able to use fiscal year 2018 funding to cover onetime costs for the migration of the agency's data center and contractors' support of transparency efforts and to pay for some multiyear contracts to acquire data and to install new communication lines.

CBO'S BUDGET REQUEST AND ITS CONSEQUENCES FOR STAFFING AND OUTPUT

In fiscal year 2019, CBO will continue its mission of providing objective, insightful, timely, and clearly presented budgetary and economic information to the Congress. To fulfill that mission, the requested funding of \$50.7 million would be used for personnel costs (that is, salaries and benefits) and nonpersonnel costs for IT (information technology) and other items, such as training, as follows:

Funding Request for Personnel Costs and Consequences for Staffing

CBO requests \$45.9 million for salary and benefits, which equals 91 percent of its funding request. Those funds would support 249 FTEs. The requested amount represents an increase of \$2.5 million, or 6 percent. The total requested amount would break out this way:

- \$34 million would cover salaries for personnel—an increase of \$1.8 million, or 6 percent, from the amount that will be spent in fiscal year 2018. The increase would include \$0.9 million in pay for 13 new staff members, 10 of them to bolster CBO's responsiveness and transparency and 3 to expand analytical capacity. (The addition in terms of FTEs would be 10.) The increase would also cover performance-based salary increases for current staff and an across-the-board increase of 2.6 percent for employees earning less than \$100,000.
- \$11.9 million would fund benefits for personnel—an increase of \$0.7 million, or 6 percent, from the amount projected to be spent in 2018. The increase would cover an increase in the cost of Federal benefits, as well as benefits for the 13 new staff members.

Funding Request for Nonpersonnel Costs

CBO requests \$4.9 million for nonpersonnel costs, which equals about 10 percent of its funding request. Those funds would cover current IT operations—such as software and hardware maintenance, software development, purchases of commercial data, communications, and equipment purchases—and would pay for travel, training, interagency agreements, facilities support, printing and editorial support, expert consultants, financial management auditing support, and subscriptions to library services. The requested amount represents a net decrease of \$1.7 million, or 26 percent, but would allow CBO to fund support costs for the 13 new staff members, covering travel, training, furniture, and IT for them (\$65,000).

Consequences for Output

The requested amount of funding would allow CBO to provide estimates and other analyses to the Congress in roughly these quantities:

- More than 600 formal cost estimates, most of which will include not only estimates of Federal costs but also assessments of the cost of mandates imposed on State, local, and Tribal governments or the private sector;
- Thousands of preliminary, informal cost estimates, the demand for which is very high as committees seek a clear picture of the budgetary impact of proposals and variants of proposals before they formally consider legislation;

- More than 100 scorekeeping tabulations, including account-level detail for individual appropriation acts at all stages of the legislative process, as well as summary tables showing the status of discretionary appropriations (by appropriations subcommittee) and running totals on a year-to-date basis;
- About 80 analytic reports and papers—generally required by law or prepared in response to requests from the Chairmen and Ranking Members of key committees—about the outlook for the budget and the economy, major issues affecting that outlook under current law, the budgetary effects of policy proposals that could change the outlook, and a broad range of related budget and economic topics in such areas as defense policy, infrastructure, Social Security, and housing;
- Numerous files of data documenting detailed 10-year baseline budget projections, 10-year economic projections, long-term budget projections (spanning 30 years), and other information underlying analytic reports—all of them posted on CBO’s website; and
- Descriptions of policy options that would reduce budget deficits, as well as publications that increase the transparency of CBO’s work and communicate that work graphically.

Despite high productivity by a dedicated staff, CBO expects that the anticipated volume of estimates and other analyses will fall considerably short of the number of Congressional requests. The demands on the agency remain intense. For example, the workload associated with the analysis of appropriations has been heavy, and the Congress remains acutely interested in analyses of proposals affecting health insurance. Other issues arise frequently and create a heavy demand for analysis; for example, over the past year, CBO analyzed legislation related to immigration, veterans’ health, water rights, opioid abuse, education, and nutrition. Analyzing the possibilities and proposals has strained the agency’s resources in many areas. CBO regularly consults with committees and Congressional leadership to ensure that its resources are focused on the work that is of highest priority to the Congress.

HOW ADDITIONAL FUNDING COULD IMPROVE CBO’S RESPONSIVENESS, TRANSPARENCY, AND ANALYTICAL CAPACITY

In response to proposals that CBO provide information more quickly and transparently than is possible with its current staffing—while continuing to meet its goal of providing objective, insightful, high-quality information—the agency proposes to dedicate additional resources to doing so. As explained, CBO proposes to hire 13 new employees in 2019, and it proposes bringing on a total of 20 new employees over the next 3 years—or more quickly, if the Congress chooses to appropriate the necessary funding more quickly than CBO is asking. Some proposals related to CBO’s speed and transparency would require even more resources than the agency is requesting.

Responsiveness

Last year marked the highest number of formal cost estimates in a decade: 740. Over 70 percent of those estimates were published within 30 days of markup, and over 40 percent of those estimates were published within 2 weeks. The overall average for completing a cost estimate was 25 calendar days after markup.

In 2017, CBO enhanced its tracking system for cost estimates, including focusing more on identifying why some cost estimates take longer to complete. (Fewer than 10 percent of estimates took longer than 60 days to complete in 2017.) The reasons vary. In many cases, the legislation or the required analysis is particularly complex. In some cases, legislative language is not in final form when received, or CBO is waiting for data from agencies or relevant stakeholders. In any case, CBO’s goal is to improve the turnaround time when it can, and identifying those roadblocks is one of the first steps toward that goal. The agency aims to use the expanded tracking system to improve on its performance in terms of timeliness, which already ensures that almost all reported bills receive a cost estimate before final consideration on the floor of either chamber.

With additional resources, CBO would be able to pursue three main strategies to produce cost estimates more quickly. First, the agency would hire more assistant analysts, who could move from one topic to another and provide support to more senior analysts when demand surged for analysis of a particular topic, such as healthcare, natural resources, or banking. Second, CBO would hire analysts to develop deeper expertise in certain topics, such as cybersecurity and higher education policy, so that the agency was better positioned to analyze new proposals in those areas. Third, the agency would hire analysts to expand its use of team approaches, in which work on large and complicated proposals is shared.

CBO's proposed expansion of its analytical capacity would also bolster the agency's responsiveness in the long term by creating a stronger base on which to build when starting new analyses.

Transparency

CBO is actively exploring ways to provide additional information about its modeling that would be useful to the Congress. The agency has released new publications this year describing its processes for producing economic forecasts, budget baselines, and cost estimates.¹ Key staff are making presentations to Congressional staff about those processes.² In the coming months, efforts to bolster transparency will include the following:

- Exploring ways to make more supporting documentation of the methods used in baseline projections and cost estimates publicly available;
- Publishing detailed information about key aspects of CBO's updated model for simulating health insurance coverage—including computer code—and about how analysts use the model in preparing estimates;
- Developing a version of CBO's model for projecting spending on discretionary programs to allow for replicating roughly 40 percent of the agency's formal cost estimates;
- Releasing technical documentation and computer code explaining how key parts of CBO's long-term budget model work and how they contribute to the agency's analyses;³
- Providing information online that enables users to examine how a large variety of changes in baseline economic projections can affect projections of the Federal budget;
- Publishing revised estimates of how certain changes to laws governing medical malpractice would affect medical spending, explaining the reasons behind revisions to the methodology used, documenting the model used to project how those changes to laws would affect medical costs, and making computer code for that model available;
- Posting on the agency's website a tool for examining the costs of different military force structures; and
- Providing computer code that generates results discussed in a working paper about CBO's model of the economy's maximum sustainable output.⁴

In many cases, CBO produces cost estimates and baseline projections through complex processes that integrate information from numerous models and other analytical tools. Additional resources would allow CBO to explain more about those processes in presentations, slide decks, working papers, and reports.⁵ Such explanations would show how computer programs used in CBO's modeling fit into the broader scope of the agency's analysis, which consists mainly of identifying how proposed legislation would affect the budget; assessing which types of effects would be substantial enough to quantify; and integrating different types of research, on the basis of historical data, to project people's and institutions' responses to legislative

¹ See Robert W. Arnold, *How CBO Produces Its 10-Year Economic Forecast*, Working Paper 2018-02 (Congressional Budget Office, February 2018), www.cbo.gov/publication/53537; and Congressional Budget Office, *How CBO Prepares Baseline Budget Projections* (February 2018), www.cbo.gov/publication/53532, *How CBO Prepares Cost Estimates* (February 2018), www.cbo.gov/publication/53519, and *How CBO and JCT Analyze Major Proposals That Would Affect Health Insurance Coverage* (February 2018), www.cbo.gov/publication/53571.

² For example, see Jessica Banthin, Deputy Assistant Director, Health, Retirement, and Long-Term Analysis Division, Congressional Budget Office, "An Overview of CBO's Estimates of Federal Subsidies for Health Insurance for People Under Age 65: 2017 to 2027" (presentation at a Congressional Research Service seminar, Washington, D.C., January 10, 2018), www.cbo.gov/publication/53447; and Sarah Masi, Analyst, Budget Analysis Division, Congressional Budget Office, "Estimating the Costs of Proposals Affecting Health Insurance Coverage" (presentation at a Congressional Research Service seminar, Washington, D.C., January 10, 2018), www.cbo.gov/publication/53448.

³ For the first of those explanations providing a general description of that model, see Congressional Budget Office, *An Overview of CBOLT: The Congressional Budget Office Long-Term Model* (April 2018), www.cbo.gov/publication/53667.

⁴ See Robert Shackleton, *Estimating and Projecting Potential Output Using CBO's Forecasting Growth Model*, Working Paper 2018-03 (Congressional Budget Office, February 2018), www.cbo.gov/publication/53558.

⁵ For several recent examples, see Joshua Montes, *CBO's Projection of Labor Force Participation Rates*, Working Paper 2018-04 (Congressional Budget Office, March 2018), www.cbo.gov/publication/53616; Congressional Budget Office, "Modeling the Subsidy Rate for Federal Single-Family Mortgage Insurance Programs" (January 2018), www.cbo.gov/publication/53402; and Wendy Kiska, Jason Levine, and Damien Moore, *Modeling the Costs of the Pension Benefit Guaranty Corporation's Multiemployer Program*, Working Paper 2017-04 (Congressional Budget Office, June 2017), www.cbo.gov/publication/52749.

changes. The processes differ from estimate to estimate so that CBO can make the best use of different types of research. The complexity of CBO's analysis and the different analytical tools that are often brought to bear make documentation time-consuming and resource-intensive.

Added resources would also allow CBO to produce other kinds of information that would aid transparency. For instance, CBO could provide more information about the basis for key parameters that underlie the results of models.⁶ Additional funding would also help the agency turn its internal comparisons of projections and actual results—for the economy, revenues, spending, deficits, and debt—into public documents.⁷

Input from outside experts and extensive external review will remain an important component of transparency:

- CBO will continue to solicit external professional review of its work so that the agency's analyses reflect both the consensus and diversity of views of experts from around the country. For example, in updating its simulation model of health insurance coverage, CBO will get systematic feedback from the research community by making presentations about different aspects of the model as they are developed.
- The agency's cost estimates will often draw on consultation with outside experts.
- CBO's Panel of Economic Advisers will meet twice a year to provide input on the agency's latest economic forecast and other issues, and CBO's Panel of Health Advisers will meet to discuss key issues affecting the agency's baseline projections and analyses of proposals and to examine new research in healthcare and healthcare financing.
- CBO will also regularly consult with those distinguished experts on its panels and other experts for guidance on the agency's work on a broad range of topics.

Analytical Capacity

Interest in legislative proposals related to healthcare—on the part of committees of jurisdiction, the Congressional leadership, and the budget committees—remains very great. The enactment of the Affordable Care Act in 2010 was followed by strong Congressional interest in analysis of that legislation and possible modifications to it, as well as in potential changes to Medicare or Medicaid. Recently, the Congress has devoted substantial time to discussing proposals to repeal and replace the Affordable Care Act. Those developments boosted CBO's workload, and the agency anticipates that the Congress will request much more analysis of such proposals, related executive actions, and other potential changes. Adding healthcare analysts would help the agency keep up with those interests and developments and produce a greater range and volume of analysis.

In addition to responding to those immediate concerns, CBO is engaged in longer-term projects, analyzing various aspects of the healthcare system and enhancing the agency's future analytical capacity to assess the effects of legislation on that system and on the Federal budget. Additional staff would enable CBO to make more rapid progress on the important effort of updating its simulation model of health insurance coverage without constraining its work on current legislative proposals.

In closing, I would like to thank the Committee for its long-standing support of CBO. That support has allowed CBO to provide budgetary and economic analysis that is timely, thoughtful, and nonpartisan as the Congress addresses issues of critical importance.

This testimony summarizes information in CBO's budget request for fiscal year 2018, which was prepared by Mark Smith, with contributions from Leigh Angres, Joseph E. Evans, Jr., Deborah Kilroe, Jeffrey Kling, Cierra Liles, Terry Owens, Benjamin Plotinsky, and Stephanie Ruiz.

Mark Hadley and Robert Sunshine reviewed the testimony, John Skeen edited it, and Jorge Salazar prepared it for publication. It is available on CBO's website at www.cbo.gov/publication/53763.

⁶For example, see Congressional Budget Office, "Key Methods That CBO Used to Estimate the Macroeconomic Effects of the 2017 Tax Act" (supplemental material for *The Budget and Economic Outlook: 2018 to 2028*, April 2018), <https://go.usa.gov/xQcZD>.

⁷For examples of such comparisons, see Congressional Budget Office, *CBO's Record of Projecting Subsidies for Health Insurance Under the Affordable Care Act: 2014 to 2016* (December 2017), www.cbo.gov/publication/53094, *An Evaluation of CBO's Past Outlay Projections* (November 2017), www.cbo.gov/publication/53328, *CBO's Economic Forecasting Record: 2017 Update* (October 2017), www.cbo.gov/publication/53090, and *CBO's Revenue Forecasting Record* (November 2015), www.cbo.gov/publication/50831.

Senator DAINES. Thank you, Mr. Hall.
Mr. Dodaro.

GOVERNMENT ACCOUNTABILITY OFFICE

STATEMENT OF HON. GENE DODARO

Mr. DODARO. Good afternoon, Senator Daines, Ranking Member Senator Murphy.

I appreciate the opportunity to be here.

First, I want to thank this subcommittee for the support that was given for the fiscal year 2018 appropriation. This will enable us to meet the critical needs of the Congress and to make strategic investments, as you alluded to, Mr. Chairman, in your comments, in information technology (IT) and infrastructure within GAO.

This will modernize our communication, data management, production capabilities, and save us operating costs that are recurring in the future. It will also enable us to prepare the GAO building to receive additional tenants, which will bring in additional revenue.

Because of the ability to save on operating costs and accelerate our IT investments, we will free up money that will enable us, even with a flat budget from 2018 to 2019, to increase the number of people at GAO in order to provide more services to the Congress.

The additional staffing will get us to the 3,100 FTE level, which is toward our goal of 3,250 FTE. But at 3,100 we will be able to meet the most critical needs across the Congress that we support.

PRIORITY STAFFING AREAS

With additional staff, there are four priorities for which I would like to increase staffing.

First is the cyber security area. This involves both the Federal Government's information systems, as well as critical infrastructure protection in the private sector—the electricity grid, financial markets, et cetera—in terms of the Federal Government working with the private sector in order to increase security preparedness in those areas.

Also critical are protecting personally identifiable information and preparing to deal with a number of issues that are evolving with the Internet of Things.

For example, autonomous vehicles and the movement in air traffic control systems to a satellite-based control system from a radar-based system. While this will improve air traffic, it also introduces potential security concerns that have not existed.

GAO would increase work in science and technology matters. This would include bolstering our efforts to focus on technology assessments on a wide range of issues. We are doing one now, for example, looking at the technologies to protect the grid. We are also working on freshwater technologies, given the fact that 40 of the 50 States expect water shortages over the next decade.

Also there are a lot of the science and technology aspects addressed in our audit work. For example, we are looking at the new Columbia-class nuclear submarine.

In the energy area and in defense, we are looking at investments to modernize the nuclear arsenal, including lifecycle extensions and interoperable warheads. We are also looking at a number of science and technology issues associated with healthcare.

We just completed a study, for example, on new technologies that could more quickly diagnose infectious diseases, which would enable the Government to respond better.

While we do technology assessments, we also do a wide range of technology and science issues as part of our normal work throughout GAO as well.

Our third staffing priority is the big investment that the Congress is making in the Defense Department. I want to increase our oversight to make sure that that investment pays dividends and deals with the major challenges at the Defense Department. The Department is undergoing their first DoD-wide financial audit and I want to step up our oversight effort to help that effort be successful over a long period of time. The Department of Defense is the only major department in the Federal Government that has not been able to pass the test of an independent audit.

Lastly, I would like to apply more resources in the healthcare area. This is the fastest growing part of the Federal budget, except for interest on the debt. There is more that we can do to help reduce unnecessary spending in the areas of Medicare and Medicaid. We also have VA healthcare on our high risk list and we need to do more work to put them in a better position to serve our veterans with timely, high quality care.

GAO IS A GOOD INVESTMENT

We believe we are a good investment. Last year, we returned \$128 for every \$1 invested in GAO, with financial benefits of over \$73 billion. Our high risk program over the last decade has had financial benefits of \$240 billion.

Tomorrow I will be testifying on our latest update on the overlap duplication and fragmentation work that Congress has required us to do. (www.gao.gov/products/GAO-18-371SP)

So far Congress has implemented over 50 percent of our recommendations. These had financial benefits of \$136 billion. I will be updating that tomorrow as these numbers have gone up given recent events.

I thank you for the opportunity to discuss our proposal. I know that you will give it careful consideration. I appreciate that very much and I would be happy to answer any questions.

[The statement follows:]

PREPARED STATEMENT OF HON. GENE L. DODARO

(See the full report GAO-18-426T, "Testimony Before the Subcommittee on the Legislative Branch, Committee on Appropriations, U.S. Senate" in Appendix B at the end of the hearing.)

Chairman Daines, Ranking Member Murphy, and Members of the subcommittee, thank you for the opportunity to discuss our fiscal year 2019 budget request. I very much appreciate the confidence this subcommittee has shown in supporting our efforts to serve the Congress and improve government performance, accountability, and transparency.

Since 2014, this Committee has provided funding that has resulted in our work achieving over \$265 billion in financial benefits and more than 5,000 other improve-

ments in Federal programs and government operations. Last fiscal year alone, our work generated almost \$74 billion in financial benefits and 1,280 program and operational improvements across government. This resulted in a return of \$128 for every dollar invested in GAO. GAO's work was also incorporated into appropriation and authorization legislation passed over the past year, including requirements for Federal agencies to implement GAO's recommendations.

I also thank the Committee for its support for our fiscal year 2018 appropriation. We have revised both our fiscal year 2018 operating plan and our fiscal year 2019 request to reflect the new appropriation level, including the disaster assistance supplemental funds we received. In fiscal year 2018, we will begin hiring additional staff, achieving a full-time equivalent (FTE) level of 3,020 and positioning us to reach 3,100 FTE in fiscal year 2019. The funding level will also allow us to invest in information technology and building facility projects that will improve efficiency and reduce long-term operating costs.

Our fiscal year 2019 request is at the same funding level as fiscal year 2018. With these resources, we will achieve a staffing level of 3,100 FTE, allowing us to better serve Congress as it addresses many critical domestic and international challenges and fulfills its oversight responsibilities, as well as enable GAO to continue making important contributions to improving government performance and accountability.

FISCAL YEAR 2019 REQUEST

GAO is requesting budget authority of \$614.8 million for fiscal year 2019. This will fund the necessary activities to continue to meet the highest priority needs of the Congress. The funding will allow us to cover mandatory pay and inflationary cost increases, and achieve increases in our on-board staff. The request includes an appropriation of \$578.9 million and \$35.9 million in offsetting receipts and reimbursements from program and financial audits, rental income, training fees, bid protest fees, and funds provided to GAO for mandated work.

The Congressional Budget Justification (CBJ) submitted in January presented a fiscal year 2018 direct appropriation of \$540.8 million plus \$33.0 million in offsets reflecting the continuing resolution level. To avoid exceeding this level and out of uncertainty about the final appropriation, we developed a prudent hiring plan that would have resulted in 2,900 full time equivalents (FTE) in fiscal year 2018.

With the 2-year budget agreement and funding enacted for fiscal year 2018, including \$10 million in 2-year funding for information technology and building infrastructure projects, we revised both our fiscal year 2018 operating plan and our fiscal year 2019 budget request. The information technology investments lower our operational costs in the long run and the investments in infrastructure will allow us to bring in a new tenant and increase our rental revenue. This will allow GAO to put more funds into human capital in the future. We now plan to accelerate hiring for the rest of this fiscal year. The revised plan will put us in a position to achieve 3,100 FTE in fiscal year 2019 without an increase over the fiscal year 2018 appropriation level, moving GAO closer to its optimal staffing level of 3,250 FTE. The chart below provides a summary by program for the revised fiscal year 2019 request.

TABLE 1: FISCAL YEAR 2017–2019 SUMMARY OF RESOURCES BY PROGRAM

[Dollars in thousands]

Program	Fiscal Year 2017 Actual		Fiscal Year 2018 Estimated		Fiscal Year 2019 Request		Net Change Fiscal Year 2018/2019	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Human capital	2,994	\$470,926	3,020	\$489,396	3,100	\$516,097	80 2.6%	\$26,701 5.5%
Engagement support		\$10,452		\$12,750		\$12,750		\$0 0.0%
Infrastructure operations		\$90,091		\$112,171		\$85,470		(\$26,701) (24%)
Center for Audit Excellence		\$545		\$500		\$500		\$0 0.0%
Total budget authority	2,994	\$572,014	3,020	\$614,817	3,100	\$614,817	80 2.6%	\$0 0.0%
Offsets ^a		(\$28,163)		(\$35,900)		(\$35,900)		\$0 0.0%
Appropriation		\$543,851		\$578,917		\$578,917		\$0 0.0%

Source: GAO. | GAO-18-448T

^a Includes offsetting receipts and reimbursements from program and financial audits, rental income, training fees, bid protest fees, and funds provided to GAO for mandated work and funds from the disaster supplemental.

MEETING THE PRIORITY NEEDS OF COMMITTEES ACROSS CONGRESS

The resources we received for fiscal year 2018, and request for fiscal year 2019, will allow GAO to continue to respond to Congress on a wide variety of issues covering the full breadth of the Federal Government's responsibilities. In addition, with increased staffing we will: (1) expand our focus on critical cybersecurity issues and the threats to the Nation's critical infrastructure; (2) continue our focus on a range of rapidly evolving science and technology issues; (3) bolster our reviews of the increased investment in Department of Defense programs; and (4) assess the challenges associated with growing Federal healthcare costs. In fiscal year 2018, we plan to utilize 3,020 FTE, an increase of 120 over the level included in the CBJ. In fiscal year 2019, we plan to utilize 3,100 FTE, an increase of 80 over the revised fiscal year 2018 operating plan.

The fiscal year 2018 operating plan and fiscal year 2019 budget request reflect the utilization of the disaster supplemental. Currently GAO has eight audits under way and another 15 planned to start over the next 18 months. These audits involve multiple mission teams and range from reviews of Puerto Rico and U.S. Virgin Islands economic and disaster recovery plans; fraud risk management in Florida and Texas disaster assistance programs; and the Federal response to the 2017 Western wildfires. Currently, we plan to use \$8 million of the disaster supplemental in fiscal year 2018 and fiscal year 2019 (approximately \$2 million and \$6 million, respectively).

Cyber-Based Threats to the Nation's Systems and Critical Infrastructure

The cyberattacks suffered by the Office of Personnel Management, Equifax, and other large organizations in recent years highlight the criticality of more effective cybersecurity. Threats from State and non-State actors are growing in sophistication and scope and can have a serious, or even potentially catastrophic, impact on Federal systems, the Nation's critical infrastructure, and the privacy and safety of the general public.

As Congress turns to GAO for insightful analysis and advice to address these rapidly evolving threats, recruiting top-tier cyber talent to augment our current audit workforce is critical. GAO plans to recruit talent from leading cybersecurity-related undergraduate and graduate institutions, including those participating in the CyberCorps Scholarship for Service program. This would augment our existing cadre of experts who can assess the nature and extent of cyber risks, both present and future, as well as evaluate the government's complex and multi-faceted attempts to address them.

In particular we plan to continue our focus on ensuring the security of Federal information systems and cyber critical infrastructure,¹ two key components of our cyber High Risk area. Over the next 2 years, our planned efforts include assessing government-wide initiatives to implement continuous diagnostics and monitoring capabilities, establish effective risk management processes at Federal agencies, and work with the private sector responsible for critical infrastructure.

Other planned activities include evaluating key agency capabilities for responding to security incidents and data breaches, as well as assessing their security postures through detailed vulnerability assessments and penetration testing of agency network defenses. For example, the Explanatory Statement accompanying the 2018 Omnibus Appropriations Act required GAO to evaluate information security at the Office of Personnel Management and the Securities and Exchange Commission, both of which have had recent major data breaches.

Regarding the protection of cyber critical infrastructure, we plan to focus on the cybersecurity of specific sectors, such as the electricity grid, and oil and gas pipeline subsectors, and evaluate the effectiveness of the public-private partnership model as a framework for protecting the Nation's critical assets from cyber threats.

Impact of Scientific and Technological Advances

Rapid advances in science and technology play an important role in our society as they can impact economic growth as well as the social and environmental well-being of the United States. Although such advances will remain central to the prevailing issues of our day, including economic competitiveness, improved medical care and the prevention of disease, and information security, the ability of the United States to lead these advances is increasingly challenged.

Given the persistent and growing demand for this technical work, GAO strives to continue to build our staff capacity in this growing area. We now have developed best practice guides related to capital project cost estimating, project scheduling, and assessing technology readiness, and will apply these guides in assessing multi-billion dollar Federal projects at agencies including the Departments of Defense, Homeland Security, Energy, and the National Aeronautics and Space Administration.

We plan to expand and accelerate our work including potential technology readiness assessment evaluations of complex technical acquisitions such as the Columbia class Navy nuclear submarine, the Joint Strike Fighter, the James Webb Space Telescope, DHS border protection technologies, and Uranium Processing Facility. Strategic technology reports on artificial intelligence systems, freshwater technologies in agriculture, sustainable chemistry, and antibiotic-resistant bacteria will be completed or initiated by fiscal year 2019. Based on interest expressed by various Committees of jurisdiction, potential future work would focus on block-chain technologies, artificial intelligence in healthcare, autonomous vehicles, and personalized medicine.

Assisting Congress in Overseeing and Transforming the Department of Defense

The Department of Defense (DoD) faces significant challenges in responding to a complex and rapidly evolving national security environment. Considerable resources are entrusted to it to do so, about 48 percent (more than \$671 billion) of discretionary appropriations for fiscal year 2018. This represents a nearly 10 percent increase over the fiscal year 2017 enacted level of almost \$612 billion. The President's budget for fiscal year 2019 further proposes to increase this to more than \$686 billion. Concurrently, DoD is working to sustain and advance its military superiority while it undergoes one of the most significant organizational realignments since the Goldwater-Nichols Act of 1986.²

Congress has directed GAO to review a broad range of DoD's activities. Since 2006, GAO has made over 3,000 recommendations to DoD designed to strengthen the department's programs and operations, and this work has resulted in over \$63 billion in financial benefits since fiscal year 2015. To inform the new Congress and administration, GAO highlighted much of this work last year in a special report identifying five key challenges facing DoD—rebalancing and rebuilding forces, mitigating cyber risks and expanding cyber capabilities, controlling costs and managing

¹ Critical infrastructure includes systems and assets so vital to the United States that incapacitating or destroying them would have a debilitating effect on national security. These critical infrastructures are grouped by the following 16 industries or "sectors": chemical; commercial facilities; communications; critical manufacturing; dams; defense industrial base; emergency services; energy; financial services; food and agriculture; government facilities; healthcare and public health; information technology (IT); nuclear reactors, materials, and waste; transportation systems; and water and wastewater systems.

²Public Law 99-433.

finances, strategically managing human capital, and achieving greater efficiencies in business operations—as well as the factors that have impacted the department's progress in these areas.

GAO will continue to allocate significant resources to review a broad range of DoD's activities. For example, the latest National Defense Authorization Act contains provisions for GAO to continue to support congressional oversight of DoD's efforts to balance current operational deployments with training and equipping forces capable of fulfilling the full spectrum of military operations, such as through assessments of the department's efforts to rebuild readiness and modernize for the future. We will further review the plans, organization and capabilities of the department's cyber operations; the safety and effectiveness of the U.S. strategic nuclear force; and DoD's investments in science and technology, which provide innovations to enhance the superiority of weapon systems now and in the future. We will assess the extent to which the Defense Contract Audit Agency and Defense Contract Management Agency are effectively and efficiently overseeing contractors' primary business systems, such as accounting and property management.

We will also continue to assess the department's strategies and incentives for recruiting, retaining, and developing a workforce that accounts for nearly 50 percent of the department's budget, as well as contracting approaches DoD uses to buy the billions in goods and services needed to carry out its missions. Further, as DoD implements key organizational changes mandated by the Congress, we expect Congressional interest in the department's progress and associated impacts. These changes include the creation of a Chief Management Officer position and implementation of cross-functional teams to drive organizational change, as well as the creation of the offices of the Under Secretary for Research and Engineering and Under Secretary for Acquisition and Sustainment. We will also continue to assess DoD's progress in following Congressional direction to recommend a new organizational and management structure for its national security space components.

GAO will continue to focus on DoD issues through its work to update the biennial High Risk report for 2019. Seven DoD areas are included in our High Risk report, including financial management, weapon systems acquisitions, business systems modernization, and support infrastructure management, as well as designations in 11 additional areas, such as the government-wide personnel security clearance process, added to the High Risk list earlier this year, in which DoD shares responsibility with other Federal agencies. GAO's annual work to review fragmentation, overlap and duplication in the Federal Government will report on DoD's efforts to achieve efficiencies, such as across its defense agencies and field activities, as well as efforts to achieve efficiencies in the management of its over 500 installations worldwide.

GAO's annual "Quick Look" reports, assessing the cost, schedule, and performance of about 80 major defense acquisition programs, help support the Congress in overseeing the department's \$1.5 trillion in planned spending on these systems. One particular focus in the coming year is on the costs, schedule, and technical capabilities of the Columbia class nuclear submarine program, one of DoD's largest acquisitions.

Finally, DoD's financial management challenges remain a High Risk area that continues to negatively affect DoD's ability to manage the department and make sound decisions on mission and operations. For example, DoD's financial management problems have contributed to (1) inconsistent and sometimes unreliable reports to Congress on weapon system operating and support costs and (2) an impaired ability to make cost-effective choices, such as deciding whether to outsource specific activities or how to improve efficiency through technology.

DoD's financial weaknesses are one of three major impediments preventing a GAO opinion on the consolidated financial statements of the Federal Government. With DoD's reported discretionary spending making up nearly half of the Federal Government's reported discretionary spending, and its reported assets representing more than 70 percent of the Federal Government's reported physical assets, monitoring DoD's efforts to achieve auditability represents a major GAO responsibility. To fulfill that responsibility, we will, in coordination with the DoD Office of Inspector General, actively monitor (1) the financial audits of the military services and other defense organizations, and (2) DoD's progress in implementing corrective actions for identified deficiencies, which currently number over 1,000. With DoD's start of mandated full financial statement audits in fiscal year 2018, this effort will require increased levels of GAO staffing and resources.

Assisting Congress in Health Care Challenges

Growth in Federal spending for major healthcare programs, estimated at \$1 trillion in fiscal year 2017, has exceeded the growth of GDP historically and is projected to grow faster than the economy.

These healthcare programs include Medicare, Medicaid, and the Children's Health Insurance Program, along with Federal subsidies for health insurance purchased through the marketplaces established by the ACA and related spending. These Federal commitments to healthcare programs are a key driver of the Nation's fiscal spending. Growth in Federal spending on healthcare is driven both by increasing enrollment, in part due to the aging of the population, and healthcare spending per person.

The Federal Government faces challenges to effectively and efficiently managing healthcare programs, including Medicare, Medicaid, and programs that serve American Indians, veterans, and military service members. Specifically, the demands to meet Americans' health needs are growing in volume and complexity while oversight is becoming more challenging. Understanding these complexities and offering fact-based recommendations to address them requires advanced policy and analytical expertise.

Our healthcare policy expertise is frequently sought out by Congress on a range of healthcare issues. In 2017, we issued products for 32 different Committees and Subcommittees that examined access to and quality of care, drug availability and pricing, program expenditures and integrity, the protection of public health, and healthcare markets.

We have made recommendations in these audit products to improve the efficiency and effectiveness of Federal healthcare spending, and documented almost \$2 billion in savings in 2017 alone by agencies taking action on our recommendations.

GAO will continue to focus on healthcare issues through its work to update the biennial High Risk report. With our 2017 High-Risk Update, we designated the Indian Health Service (IHS) as high risk. This area joins four other Federal healthcare programs on the High Risk list, Medicare, Medicaid, the Food and Drug Administration, and VA Health Care.

Finally, GAO will continue to devote resources for our healthcare work on the most pressing public health-related issues of today. For example, we have a growing body of work examining the Federal Government's response to the ongoing opioid epidemic, which killed more than 42,000 Americans in 2016. However, more work is needed on the Federal Government's efforts to prevent opioid and other illicit drug use. We will also continue to examine the pricing and utilization of healthcare services—key drivers of public and private healthcare spending and costs. Managing Federal healthcare spending, and holding entities accountable for the outcomes of such spending, will be critical to restoring the Nation to a fiscally sustainable long term path.

GAO INFORMATION TECHNOLOGY AND BUILDING INFRASTRUCTURE

The resources we received for fiscal year 2018, and request for fiscal year 2019, will allow GAO to make strategic investments in information technology (IT), and GAO's facilities infrastructure. GAO greatly appreciates the 2-year designation of \$10 million in Infrastructure Operations spending provided for in the fiscal year 2018 budget. This funding flexibility will enable GAO to make sound capital investments in new technology and address important funding requirements in support of our building facilities that will increase efficiency, lower operating costs, and allow us to increase our rental revenue.

Information Technology

At present, GAO operates in a computing environment that is rapidly aging. We have made headway over the past few years to improve our infrastructure by implementing a virtual desktop infrastructure and consolidating 11 remote field office data centers into a single primary data center at Headquarters. Additionally, we replaced older server technology for data storage with newer, faster, more efficient technology that strengthens the agency's security and reduces costs.

With the funding provided by Congress, we will be able to build on these past improvements and make additional critical investments that will further improve our effectiveness and efficiency and provide long term cost savings.

Modernizing our current communications system is an important project that is enabled by this funding. Our current technology is near its end of life and a significant capital expense would have been required to upgrade this old technology. Over the next 2 years, GAO will now upgrade to communications technologies that will greatly enhance GAO's capabilities and replace aging technology. GAO will be able to take advantage of key features incorporated into new tools that would not be possible with legacy systems.

For example, we will replace our obsolete video and teleconferencing equipment that is no longer supported and is proving to be extremely challenging to maintain and utilize effectively. We will upgrade our software to take advantage of integrated

collaborative technologies, such as instant messaging, desktop sharing, and video conferencing. These technologies, VoIP services, in an integrated platform using digital voice services are less expensive to maintain saving GAO significant annual maintenance costs and recurring capital expenses. In summary, this improvement to our system will make it easier for our staff to work together more effectively, and is less expensive to operate.

Furthermore, this investment in GAO will enable us to begin the migration from our current document management system that is over 30 years old, to modern technology that provides greater capabilities. Our current document management system is used daily by all GAO staff and houses all of GAO's audit documents, as well as information obtained from agencies, and data analysis that forms the basis of GAO's products. The current system is slow and difficult to use, yet critical to our success. By upgrading the system, we will stabilize this important software platform and improve the user experience resulting in greater efficiencies.

This modernization effort will be built upon the success of previous work we have done to improve our infrastructure and develop tools that make our efforts to produce work more efficient. We will continue to upgrade key systems that directly support the products and services we provide to the Congress. We have successfully implemented a new Engagement Management System (EMS) that helps us manage our work more efficiently and we have a prototype of the New Blue system that will both greatly improve how we create and share GAO content with our clients.

New Blue is an enterprise-wide effort which will allow GAO to easily publish web-based products in HTML format instead of the static PDF format in a way that reduces manual activities for analysts and publishing staff. It will enable analysts to perform different functions concurrently and eliminate the need for separate copies for drafting, referencing, and each review. It will also streamline publishing and enable consistent and flexible distribution via multiple channels with responsive design that will allow our reports to be read on any device.

An enormous amount of effort has gone into upgrading and securing our information technology systems and with this new flexibility and funding in fiscal year 2018 and fiscal year 2019 we are going to make substantial headway toward completing our modernization efforts.

Facilities and Security

While most of GAO's staff is located at its Headquarters in Washington, DC, we maintain a presence in strategic locations throughout the country and this remains a priority. GAO is consolidating space within its Headquarters building to ensure efficient utilization. With respect to our building investments, GAO is currently undergoing moves, as commercial leases expire, to secure Federal office spaces in Oakland, California, Chicago, Illinois, Los Angeles, California, and Huntsville, Alabama. By moving into Federal controlled space we are providing increased physical security for our employees and locally stored data.

We appreciate the support of the committee for providing us with the authority to transfer funding to the U.S. Army to build GAO a new building on the grounds of the Redstone Arsenal Army Base to house GAO's existing Huntsville staff. This new building will be a one-time expense, with no rent and minimal maintenance costs going forward saving GAO what it would have paid in rent. We expect completion of the new building in the next year. Additionally, with the 2-year funding, we will make investments in our Headquarters building by consolidating and upgrading space enabling us to lease empty space to new tenants.

ASSISTING THE CONGRESS IN SHAPING LEGISLATION

GAO continues to be recognized for its non-partisan, objective, fact-based, and professional analyses across the full breadth and scope of the Federal Government's responsibilities and the extensive interests of Congress.

Since our last budget request, Congress has passed a number of laws that reflect GAO findings and recommendations. For example:

- The National Defense Reauthorization Act of 2018 (NDAA) included several directives based on GAO findings and recommendations concerning defense-related and other issues. Specifically
 - Improving defense-related efforts in key areas such as budget guidelines; cost savings; leadership of business operations; military readiness goals and implementation strategies; potential vulnerabilities in military aircraft; risks to military installations from climate change; and sustainability for the F-35 combat aircraft.
 - Requiring additional reporting requirements to help keep the Columbia-class submarine program on track, raising the cost cap for the Ford-class carrier program, and directing changes to DoD's space leadership structure. In addi-

tion, the reauthorization includes funding reductions warranted by GAO findings.

- Requiring annual reports on the time required to conduct investigations, adjudicate cases, and grant security clearances. This reflects a matter GAO raised for Congress's consideration in 2017, namely that such reporting should be reinstated given the need to continue efforts to reform the personnel security clearance process government-wide, an area that GAO placed on the high-risk list in January 2018.
- Changing the Small Business Administration's Historically Underutilized Business Zone Program that provides Federal contracting preferences for eligible small businesses. In making these changes, Congress relied on our analysis of the use of unemployment rates in making business zone designations to better target counties with depressed economic conditions.
- The No Veterans Crisis Line Call Should Go Unanswered Act directs the Department of Veterans Affairs (VA) to develop a quality assurance document for carrying out the toll-free Veterans Crisis Line requires VA to develop a plan to ensure that each telephone call, text message, and other communications received is answered in a timely manner. These requirements reflect GAO's recommendations related to ensuring that veterans who called the crisis line had their calls answered in a timely manner.
- The FITARA Enhancement Act of 2017 extended until 2020 the deadline for Federal agencies to optimize their data centers, reflecting the GAO recommendation that they be given more time to do so. In line with previous GAO findings, that act also made permanent the requirement that agencies evaluate, manage, and publicly report on the risk of their major information technology investments.
- GAO's reports and testimonies are also reflected in the 2018 Omnibus Appropriations Act, including:
 - Using GAO work to direct agencies to implement GAO recommendations. For example, the act directed
 - the Department of Homeland Security to develop robust performance metrics for all deployed border security; begin the collection of performance data to evaluate the individual and collective contribution of specific technologies; and assess progress in fully deploying planned technologies and determine when mission benefits from such deployments have been fully realized, citing a GAO testimony; and
 - the Secretary of the Department of the Interior to take several steps to improve Indian education, including implementing GAO recommendations and restructuring Indian Affairs to better support management control and accountability for the Bureau of Indian Education system.
 - Requiring agencies to report on how they plan to implement GAO recommendations or what corrective action plans they plan to take. For example:
 - having the entity responsible for managing cybersecurity across the Federal Government and critical infrastructure, the National Cybersecurity and Communications Integration Center (NCCIC), report on plans to implement GAO recommendations to determine if it is carrying out its statutory functions, such as sharing information about cyber threats, in the way it should: making the information timely, relevant and actionable, and to establish performance metrics for them;
 - having the Bureau of Indian Affairs report on progress to implement recommendations on data to improve road management and inform student attendance strategies, citing a GAO 2017 report;
 - having the Indian Health Service report on how it will address GAO recommendations on setting and monitoring agency wide standards for patient wait time and IT issues related to this monitoring, citing a GAO 2016 report;
 - having the Department of Defense (DoD) report on efforts to align the structure, statutory parameters and regulatory guidance across all Federal prescription drug buying programs to increase buying power and reduce costs, citing a GAO recommendation to the same effect; and
 - having the Bureau of Indian Affairs report on barriers to developing strategies to properly manage oversight of energy resources, citing a GAO 2017 report.
- Finally, providing funding to enable activities aligned with GAO recommendations. For example, the act appropriated funds to:
 - the Department of Homeland Security to conduct regular assessments of advanced protective technologies related to cybersecurity, citing a 2016 GAO report; the Department of Health and Human Services for grants for

clinical training of sexual assault nurse examiners to administer medical forensic examinations and treatments to victims of sexual assault, citing a GAO 2016 report; and the Veterans Health Administration for research into overmedication of veterans that led to veterans' deaths, suicides, and mental health disorders, among other things, citing multiple GAO reports.

FINANCIAL AND PROGRAM BENEFITS

Financial Benefits

In fiscal year 2017, we documented \$73.9 billion in financial benefits for the government—a return of about \$128 for every dollar invested in us. Examples of our work that contributed to these benefits included (1) improving the Department of Defense's (DoD) processes for acquiring weapon systems (\$36.0 billion); (2) auctioning of the broadcast television spectrum by the Federal Communications Commission (\$7.3 billion); and (3) reducing the amount TRICARE pays for compounded drugs (\$1.9 billion).

Other Benefits

Many other benefits resulting from our work cannot be measured in dollars but lead to program and operational improvements. In fiscal year 2017, we recorded 1,280 of these other benefits. For example, our work on public safety and security:

- led the Nuclear Regulatory Commission to tighten its controls on licensing for possession of radioactive materials when, in one of our tests, investigators secured agreements to buy devices that, together, contained a dangerous quantity of material;
- led FEMA to better prepare for its future disaster response activities by developing (1) a plan to finance equipment for its urban search and rescue task forces, and (2) a process to apply lessons learned from its incident management assistance teams; and
- led the Food and Drug Administration to issue a final rule requiring drug companies to report data on the sale and distribution of antibiotics for use in food animals.

Similarly, our work related to vulnerable populations:

- led the Department of Health and Human Services (HHS) to issue a strategy addressing the use of opioids such as heroin and prescription pain medications during pregnancy, which can lead to newborns having a condition called Neonatal Abstinence Syndrome;
- led the Veterans Administration to improve its oversight and process for providing veterans newly enrolled in its healthcare system with timely access to primary care appointments; and
- led several agencies, including the Departments of Homeland Security, the Interior, and State, to better protect contractor employees against reprisal, when they identify fraud, waste, abuse, or mismanagement.

Furthermore, our work in the area of agency operations:

- led DoD to establish categories for prioritizing its more than 83,000 missing persons cases from military conflicts since World War II, based on the feasibility of recovery;
- prompted the Social Security Administration to not provide increases in monthly disability insurance benefit payments until it had determined if individuals' earnings required changes in benefits—preventing overpayments to about 4,300 beneficiaries in 2016;
- prompted DoD to strengthen its oversight of equipment provided to Iraq's security forces by developing new procedures for recording equipment transfer dates and making other planned changes to improve accountability; and
- led OMB and the Department of the Treasury to improve implementation of the Digital Accountability and Transparency Act of 2014 (Public Law 113–101) by clarifying requirements, using implementation plans, and documenting procedures.

BUILDING BODIES OF KNOWLEDGE

Through the products we issued in fiscal year 2017, we continued to build on bodies of work to address our three broad strategic goals for serving the Congress and the Nation to (1) address current and emerging challenges to the well-being and financial security of the American people, (2) help respond to changing security threats and global interdependence, and (3) help transform the Federal Government to address national challenges. Examples include:

Protection of Children

We reported on the (1) Federal support for pediatric trauma care centers—used to treat children with potentially life-threatening or disabling injuries; (2) Federal support for states to oversee the use of psychotropic medications for children in foster care; and (3) Federal coordination on early learning and childcare.

Veterans

We reported on the need to improve (1) management of veterans' healthcare, (2) protections for veterans against financial exploitation; and (3) the Department of Veterans Affairs' use of vacant and underutilized property to house homeless veterans.

Healthcare

We reported on the (1) actions needed to prevent illegal drug use, such as opioids; (2) Federal efforts to position the physician workforce to meet current and future demands; and (3) need to harmonize Federal and State rules to better protect Medicaid beneficiaries receiving personal care services.

Science and Technology

We reported on (1) the Internet of Things, smart technologies and devices that sense information and communicate it to the Internet or other networks—offering new benefits and potential risks to IT, privacy, and safety; and (2) medical device technologies designed to rapidly diagnose infectious diseases.

Military Readiness

We reported in fiscal year 2017 and prior years on the: (1) considerable readiness challenges facing the Military Departments; (2) need for better strategies, goals and metrics for guiding the departments' readiness rebuilding efforts, and more oversight of these efforts by the Office of the Secretary of Defense; and (3) Navy's training, manning and infrastructure challenges that have contributed its readiness crisis.

High Risk Areas

We issued the biennial update of our high-risk report to focus attention on government operations that are highly vulnerable to fraud, waste, abuse and mismanagement or need transformation. It offers solutions to 35 high-risk problems, including four new areas, Federal Indian education, health, and energy programs; Federal environmental liabilities; government-wide personnel security clearance processes; and the 2020 Census (see Enclosure I). For example, we reported on the enormous challenge that a complete count of the Nation's population is for the Bureau of Census as it seeks to control the cost of the census while it implements several new innovations and manages the processes of acquiring and developing new and modified information technology (IT) systems supporting them. Over the past 4 years, we have made 33 recommendations specific to the Bureau regarding the 2020 Census. As of October 2017, the Bureau had fully implemented 10 of the recommendations, and was at varying stages of implementing the remaining recommendations.

In 2017, our High Risk work contributed to 154 reports, 43 testimonies, \$42.2 billion in financial benefits, and 519 other benefits. In the last decade this work has led to about \$240 billion in financial benefits.

Fragmentation, Overlap, and Duplication

Our seventh annual report identified 79 new actions across 29 new areas that could reduce fragmentation, overlap, and duplication, or provide other cost savings and revenue enhancement opportunities across the Federal Government. Actions taken by the Congress and executive branch agencies to address the 645 actions government-wide we identified from 2011 to 2016, have led to about \$136 billion in financial benefits—\$75 billion to date, with \$61 billion more expected.

Testimonies

In fiscal year 2017, senior GAO Officials testified 99 times before 45 separate committees or subcommittees on issues that touched all major Federal agencies. The following, listed by our three strategic goals, are examples of topics GAO addressed in testimony:

TABLE 2: SELECTED GAO FISCAL YEAR 2017 TESTIMONIES

Goal 1: *Address Current and Emerging Challenges to the Well-Being and Financial Security of the American People*

Controlling Medicaid's Improper Payments	Ensuring the Privacy and Accuracy of Face Recognition Technology
Restoring US Postal Service's Fiscal Sustainability	Strengthening Oversight of the Low Income Housing Tax Credit
Addressing Serious Weaknesses in Federal Programs Serving Indian Tribes	Using Lessons Learned from SafeTrack to Improve Future Rehabilitation Projects
Improving the Small Business Administration's Disaster Loan Assistance	Early Observations on Implementation of the Every Student Succeeds Act
Providing Health Insurance Under the Patient Protection and Affordable Care Act	Improving Federal Management of Indian Energy Resources
	Addressing Department of Energy's Management Challenges

Goal 2: *Respond to Changing Security Threats and the Challenges of Global Interdependence*

Observations on the Use of Force Management Levels in Afghanistan, Iraq, Syria	Risk Travelers and Strengthening Visa Security
Observations on Implementation of Federal Immigration Laws—Northern Mariana Islands	Increasing DoD's Accountability Over Equipment Provided to Iraq's Security Forces
Addressing Challenges to DoD's Delivery of Critical Space Capabilities	Improving the Response to Zika Virus Outbreaks
Enhancing Controls Over DoD's Excess Property	Strengthening US Cybersecurity Capabilities
Observations on Challenges Facing Navy Readiness	Addressing Critical Acquisition Decisions for the Littoral Combat Ship and Frigate
Improving DHS's Border Security: Addressing Threats Posed by High-	

Goal 3: *Help Transform the Federal Government to Address National Challenges*

Address DATA Act Implementation Challenges	Addressing Cybersecurity Workforce Challenges
Improving Anti-Fraud Efforts for Social Security Administration Disability Benefits	Reducing Collection, Use and Display of Social Security Numbers
Improving IG Oversight of the Architect of the Capital Operations	Using Leading Human Capital Practices to Improve Agency Performance
Protecting Older Adults from abuse by Guardians	Assessing Progress on Preparations for the 2020 Census
Addressing Improper Payment Estimates and Ongoing Efforts to Reduce Them	Addressing Implementation Challenges with IRS' New Wage Verification Process
Reducing Fragmentation, Overlap and Duplication in Federal Programs	Improving Government Efficiency and Effectiveness to Reduce Federal Costs
Improving Implementation of IT Reform Law Critical to Effective Management	Improving VA's Management of IT

Source: GAO. | GAO-18-448T

FOCUSING ON CONGRESSIONAL PRIORITIES

Serving Our Clients

In fiscal year 2017, we received 739 requests for work from 92 percent of the standing committees of the Congress—supporting a broad range of congressional interests. We issued 658 reports and made 1,414 new recommendations. Our senior executives were asked to testify before 45 separate committees or subcommittees on topics including the Nation's fiscal health; Navy readiness; preventing high-risk

travelers from boarding U.S. bound flights; and improving the response to Zika virus outbreaks. Our testimonies continued to underscore the importance of implementing GAO's recommendations to strengthen the government's performance and yield financial benefits.

Outreach Efforts

I continued my regular meetings with the Chairs and Ranking Members of congressional committees to obtain their views on GAO's work, including their priorities, and to discuss opportunities and challenges facing our Nation.

I also sent letters to the heads of most Federal departments to acknowledge the actions taken to date to implement our prior recommendations and to draw their attention to priority recommendations still requiring their attention. These letters were also sent to the congressional committees of jurisdiction to inform their oversight.

We continue to collaborate with the Congress to revise or repeal mandated reporting requirements to align our work with current congressional priorities and maximize our staff resources. For example, S. 2400, the GAO Audit Mandates Revision Act of 2018, would shift many low-risk financial audits to public accounting firms so GAO can audit Treasury's General Fund. The fund, which has never been audited before, covers every Federal entity that receives appropriated funds.

INTERNAL IMPROVEMENTS

Supporting Our People

The hard work and dedication of our diverse and professional multidisciplinary staff positioned GAO to achieve a 96 percent on-time delivery of our products in fiscal year 2017. Our performance this year also indicates that staff received the support needed to produce high-quality work. GAO also continued its distinction as a best place to work in the Federal Government, ranking second among mid-size Federal agencies and first for supporting diversity by the Partnership for Public Service.

Managing Our Internal Operations

In fiscal year 2017, we continued efforts to maximize our value by enabling quality, timely service to the Congress and being a leading practices Federal agency. We made progress addressing our three internal management challenges—human capital management, engagement efficiency, and information security. To enhance engagement efficiency, we fully transitioned to an updated engagement management process and new management system.

We also undergo an annual independent financial statement audit. For fiscal year 2017, our financial statements received an unmodified "clean" opinion once again. This unmodified opinion along with our effective internal controls, demonstrate our sound stewardship of the taxpayers' dollars entrusted to us. Our independent auditors found that GAO maintained, in all material aspects, effective internal control over financial reporting, and our financial management systems substantially complied with the applicable requirements of the Federal Financial Management Improvement Act of 1996.

In addition, independent organizations perform a peer review of GAO's system of quality control for work done under generally accepted government auditing standards to determine whether it is suitably designed and operating effectively. The peer review includes a review of audit documentation, tests of functional areas, and staff interviews. Our most recent external peer review, conducted by a team of international auditors, resulted in a clean opinion on the effectiveness and appropriateness of our quality assurance framework. We also demonstrated that our detailed performance and financial information is complete and reliable and meets our high standards for accuracy and transparency.

LEGAL WORK

In fiscal year 2017, our Office of General Counsel created an electronic bid protest filing system, handled about 2,600 bid protests, issued over 500 bid protest and other decisions, including appropriations law decisions, and issued the third chapter of the fourth edition of "Principles of Federal Appropriations Law". This is the primary resource for appropriations law guidance in the Federal community.

STRATEGIC PLANNING

I am pleased to announce that GAO has issued our 2018–2023 Strategic Plan for Serving the Congress and the Nation (See Enclosure II). As the United States confronts a series of new and long-standing challenges, GAO will rely on this latest strategic plan to guide our efforts to help make government more accountable, effi-

cient, and effective and, ultimately, help improve the safety, security, and well-being of the American people.

Our plan outlines a number of important drivers and trends that will shape GAO's work in the coming years, in areas such as national security and defense, healthcare, and new developments in science and technology. GAO's new plan consists of three components:

- Goals and Objectives (GAO-18-1SP),
- Key Efforts (GAO-18-395SP), and
- Trends Affecting Government and Society (GAO-18-396SP).

This 3-part format enables the trends and key efforts to be updated periodically to reflect rapidly changing external forces and shifts in priorities. By periodically reviewing our plan, GAO will remain agile and responsive to the areas of greatest national concern and usefulness to the Congress and the public. Prior to issuance a draft was shared for comment by Congress, employees and external stakeholders.

CENTER FOR AUDIT EXCELLENCE

The Congress authorized GAO to establish a Center for Audit Excellence (the Center) in 2014 to provide training and technical assistance to enhance the capacity of domestic and international accountability organizations. Although GAO contributes to a number of efforts that promote good governance and enhance accountability community capacity, the Center is unique in its ability to tackle complex training and capacity building projects because it can offer a wide range of services at locations throughout the world. The Center is authorized to charge fees for its services to facilitate recovery of its costs.

Since the Center's opening in October 2015, the Center has provided training or technical assistance services to nearly two dozen Federal, State, local, and international organizations. The Center expanded its volume of work significantly between fiscal year 2016 and fiscal year 2017, collecting \$41 thousand in fees in fiscal year 2016, its first year of operation, and \$345 thousand in fiscal year 2017. The Center also signed a Memorandum of Understanding with the U.S. Agency for International Development, a key partner to the Center in promoting accountability among developing nations.

During fiscal year 2017, the Center enhanced the capacity of 15 domestic and international accountability organizations. Domestically, the Center provided high quality training to promote greater understanding of Government Auditing Standards (the Yellow Book), internal control, performance auditing, report writing and other topics to five State and local audit offices, three Federal audit organizations, and four other domestic audit organizations. Based on formal and informal feedback, the organizations and the vast majority of training participants found the training to be greatly useful. Moreover, several audit organizations have returned to the Center repeatedly for training and technical assistance to help their staff build capacity in applying auditing concepts and tools introduced in Center training classes.

The Center also expanded its work and achieved positive impact in working with international accountability organizations in fiscal year 2017. The Center provided training and technical assistance to a Supreme Audit Institution in Eastern Europe that enhanced its capacity to conduct information technology audits. The Center also worked with the Millennium Challenge Corporation to develop and start a project that is helping to enhance the capacity of a Supreme Audit Institution in Central America. Most recently, the Center worked with the U.S. Agency for International Development to finalize an agreement for the Center to assess and identify ways to build the capacity of a Supreme Audit Institution and internal audit organization in an African country.

The Center continues to implement its Business Plan and look for additional ways to build on the successes achieved and find additional ways to further strengthen the capacity of accountability partners to help enhance the oversight of U.S. Federal funds used domestically and across the globe. For example, during fiscal year 2018, the Center plans to expand its international work further by leveraging its Memorandum of Understanding with USAID and building on outreach and partnerships with other organizations such as the World Bank.

CONCLUDING REMARKS

We value the opportunity to provide Congress and the Nation with timely, insightful analysis on the challenges facing the country. I would like to thank the Committee again for its support of GAO and the fiscal year 2018 budget. Our fiscal year 2019 budget requests the resources to ensure that we can continue to address the highest priorities of the Congress.

Our request will allow us to continue building our staffing level and provide our employees with the appropriate resources and support needed to serve the Congress effectively. This funding level will also allow us to continue efforts to promote operational efficiency and address long-deferred information technology investments and maintenance. We will also continue to explore opportunities to generate revenue to help offset our costs.

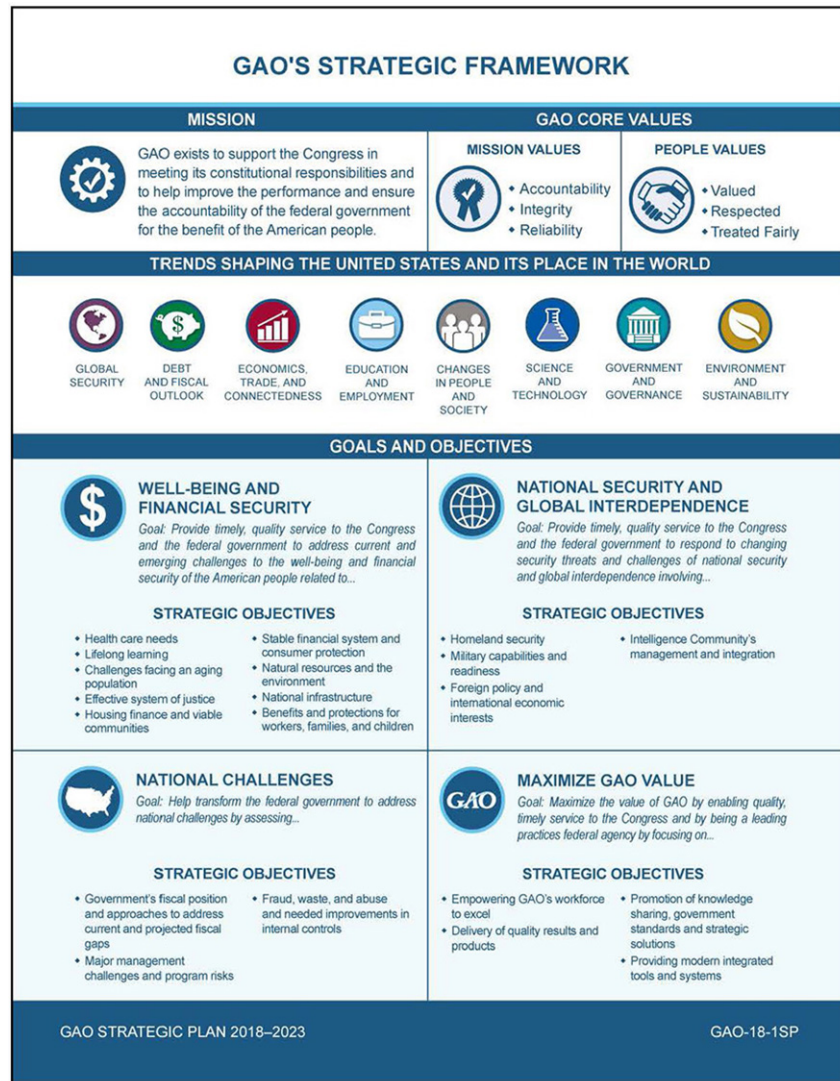
I appreciate, as always, your careful consideration of GAO's budget and your continued support.

ENCLOSURE I: GAO'S 2018 HIGH RISK LIST

High Risk Area	Year Designated
Strengthening the Foundation for Efficiency and Effectiveness	
Improving Federal Programs that Serve Tribes and their Members <i>(new)</i>	2017
2020 Decennial Census <i>(new)</i>	2017
U.S. Government Environmental Liabilities <i>(new)</i>	2017
Improving the Management of IT Acquisitions and Operations	2015
Limiting the Federal Government's Fiscal Exposure by Better Managing Climate Change Risk	2013
Management of Federal Oil and Gas Resources	2011
Modernizing the US Financial Regulatory System and the Federal Role in Housing Finance	2009
Restructuring the US Postal Service to Achieve Sustainable Financial Viability	2006
Funding the Nations Surface Transportation System	2007
Managing Federal Real Property	2003
Strategic Human Capital Management	2001
Transforming Defense Department Program Management	
DoD Approach to Business Transformation	2005
DoD Support Infrastructure Management	1997
DoD Business Systems Modernization	1995
DoD Financial Management	1995
DoD Supply Chain Management	1990
DoD Weapon Systems Acquisitions	1990
Ensuring Public Safety and Security	
Government-wide Personnel Security Clearance Processes <i>(new)</i>	2018
Mitigating Gaps in Weather Satellite Data	2013
Protecting Public Health through Enhanced Oversight of Medical Products	2009
Transforming EPA's Processes for Assessing and Controlling Toxic Chemicals	2009
Ensuring the Effective Protection of Technologies Critical to US Nations Security Interests	2007
Improving Federal Oversight of Food Safety	2007
Strengthening Department of Homeland Security Management Functions	2003
Ensuring the Security of Federal Information Systems and Cyber Critical Infrastructure and Protecting the Privacy of Personally Identifiable Information	1997
Managing Federal Contracting More Effectively	
DoD Contract Management	1992
DOE's Contract Management for the National Nuclear Security Administration and the Office of Environmental Management	1990
NASA Acquisition Management	1990
Assessing the Efficiency and Effectiveness of Tax Law Administration	
Enforcement of Tax Laws	1990
Modernizing and Safeguarding Insurance and Benefit Programs	
Managing Risks and Improving VA Health Care	2015
National Flood Insurance Program	2006
Improving and Modernizing Federal Disability Programs	2003
Pension Benefit Guaranty Corporation Insurance Programs	2003
Medicaid Program	2003
Medicare Program	1990

Source: GAO. | GAO-18-448T

ENCLOSURE II: GAO'S STRATEGIC PLAN FRAMEWORK



Senator DAINES. Thank you, Mr. Dodaro.

I think what we are going to do is Senator Murphy and I will start with CBO. We will have a few questions back and forth here, and then we will come over to GAO here next after that.

EFFORTS TO ENHANCE CBO'S TRANSPARENCY

Dr. Hall, the Congressional Budget Office has been criticized for not providing enough detail to explain its findings in budget estimates and scoring of legislation.

You have already begun efforts to provide greater transparency, and I thank you for that. A large part of your requested increase would fund additional staff to tackle or address that issue.

Could you describe in further detail what you are doing to enhance transparency and how the additional staff requested would add to that work?

Dr. HALL. Part of what we have done is we have shifted some staff into transparency roles. We have shifted some positions, so we need to do a little backfilling, but it has given us a chance to start in on the transparency improvement.

Trying to increase our documentation of things has been really important. We have done a couple of things where we have documented processes, how we go about a cost estimate, how we go about doing a budget project, that sort of thing.

We have also been trying to increase the detail in our cost estimates and other things. We have done that. I think we have made, actually, pretty good progress through that.

Then we have a large number of things, which I almost consider pilots because there are so many ways to be transparent. We are going to try increasing transparency in a number of things.

For example, there has been a lot of interest in our healthcare estimates. And so, we are producing a new healthcare model, the major model and in doing that, we are going to be as transparent as we can.

While we are actually developing the model, we are going to have a couple of seminars to discuss aspects of the modeling and get feedback. We are going to document it fully.

When we write the code, we are going to write the code in mind, and we are going to then make some of the code publicly available, and put it up on our website. So this is sort of the maximum of transparency, I think, that we can produce on the healthcare modeling.

We just have a number of things, our long-term budget model where we are going to revamp some of that. So when we do that, we are going to make documentation available and put some of that code up.

There are just so many things that actually we are trying. We are trying to put a model that shows all the discretionary spending and let you have some interaction on how discretionary spending can go up or down. That is actually about 40 percent of our cost estimate, so it will give you a chance for staff to get a feel of the responsiveness of things.

PROVIDING RANGES BASED ON CERTAIN ASSUMPTIONS

Senator DAINES. Dr. Hall, I appreciate the time we got to spend last week and it is a flashback to the days I used to have to forecast in my business as a line manager.

I had to provide forecasts and estimates. I think we talked about one of the truisms of forecasts is the forecast is always wrong. And the further out the forecast, the more wrong it is. It is the nature of forecasts. It is dynamic. There are a lot of variables that go into it.

We discussed the idea of providing additional details in the forecast and estimates that would show how different variables might affect outcomes.

I think that is one of the challenges we face when we do a forecast with the CBO, we lock down these variables and say, "It is a number," or arguably a range looking at sensitivity to perhaps help guide better decision making. I think of variables like interest rates, productivity, and GDP growth.

Do you have some sense of what additional resources you would need in order to implement that change of providing ranges based on certain assumptions versus just a number?

Dr. HALL. Well, actually on that one, we had plans on doing that with our current resources.

We, in fact, are working on an interactive tool, online tool where you will be able to do things like change interest rates and see what the budgetary impact would be if we have higher interest rates or lower interest rates, productivity, et cetera. That is actually one I am excited about because it really will give you an idea when we do a budget forecast just how sensitive the forecast is to some of these variables.

I do not want to say we are overdue for this, but we are looking very much forward to getting this done and then seeing if we can provide more detail in the future.

Senator DAINES. That is good news.

What is your sense, Dr. Hall, on the time where you might have that more interactive kind of model in playing with variables here to see the sensitivity as such?

Dr. HALL. Yes, I think right now we are looking at it being sometime in June.

Senator DAINES. Okay.

Dr. HALL. I wish it was faster, but the real trick for us is that the tax code changed so much that we have a lot of work to do to work out how the tax code interacts with some of the economic budget numbers. So our plan is for June on that and I think we will be able to meet that.

Senator DAINES. Great. Thanks, Dr. Hall.

Senator Murphy.

RELOCATION EXPENSES (STAFF RECRUITMENT OBSTACLES)

Senator MURPHY. Thank you very much.

Dr. Hall one of your requests here is reimbursement authority to allow for relocation expenses. I thought that just might be an interesting jumping off point to ask a question about staff recruitment

and what kind of barriers you are finding today, especially given the fact that the salary cap has not changed in, now, a decade.

What kind of obstacles, if any, are you finding in trying to attract the people that you need?

Dr. HALL. Sure. Well, we always have issues in competing with nongovernment entities especially for the type of people that we hire. Eighty percent of our people have advanced degrees of one type or another. So that is a pretty competitive area.

The relocation fee is actually helping us compete even with just the executive branch because they are able to pay relocation fees, that sort of thing.

We still do okay. I think we do all right. We struggle in some areas like financial analysis where the private sector salaries are just unthinkable for us.

We have the authority to hire some senior positions in 2017 and I think that is going to be very helpful. We did not create any in 2017, but this year, we have created a few. So now, we will be able to actually, with our senior positions, compete with the executive branch. So that will help.

But for the most part, we rely on people who are excited about public service and public policy analysis. The CBO, in that respect, is sort of right on the frontlines. So that is a real advantage to us.

TAX CUT BILL ESTIMATE

Senator MURPHY. I wanted to just drilldown into two specific policy areas while I have you.

The first is regarding the estimates that you provided to Congress around the tax cut bill that was passed within this Congress. Obviously, there is a dispute here. CBO has said it is going to add about \$1.9 trillion to the deficit over the first 10 years. Secretary Mnuchin has said that he thinks it will all actually reduce the deficit because of increase economic growth.

When will we start getting data from CBO to help us understand which side of the argument is right? At what point are we going to start to understand which way deficits are heading and whether what you have given us is on-point or needs to be revised?

Dr. HALL. Well, sure, that is a good question because a lot of the effect, we think, of the tax bill is going to be a short-term stimulus. So we should see pretty strong economic growth, we think, over the next year or two.

The challenge there is that we think there is no longer any slack in the economy, so that is going to put growth above slack. At some point, then, it is going to require higher inflation and higher interest rates from the Federal Reserve. So we think it is going to put us into a mini-cycle.

And so, that is certainly a different view, I think, of things. We see the potential GDP over the next 10 years being at about 1.8, 1.9 percent. And we think we are going to start a full employment economy. We are going to wind up there in about 10 years.

I think that will be one of the big telling things, I think is, in fact, if we see this sort of heating up and whether interest rates rise significantly going forward. Then, I think, that is the effect of the stimulus that we have been talking about.

Senator MURPHY. And then in terms of revenue projections into the Government, when do we start to understand the accuracy of your projections on revenue?

Dr. HALL. I suppose it is the same thing.

Senator MURPHY. Yes.

Dr. HALL. If we are going to have stronger growth, we are going to have stronger revenue. That is not really going to reveal much about what we have done to the potential of the economy, if you know what I mean. Because I think that is the main difference in our view of this is whether this boost is temporary or whether it has actually permanently raised the growth in the economy.

IMPACT OF MOVING DEFENSE SUPPLY CHAIN OVERSEAS

Senator MURPHY. And then lastly, I just wanted to shift to another topic. A lot of your energy is involved in doing cost estimates for the biggest portion of discretionary spending in the Government, that being the Department of Defense.

One of the things that I have actually talked to Mr. Dodaro about a lot is the impact of buy America laws and the impact of moving more of our defense supply chain overseas.

The short-term impact of more of our defense supply chain moving overseas is that you can purchase cheaper goods for the Department of Defense, but the impact then finds its way into other parts of the budget, as you start to lose jobs, lose factories here. We find that having costs in other parts of the budget whether it be increased outlays for social insurance programs or lower taxes into the Government.

This is a discussion we have a lot in a State like Connecticut that does a decent amount of events purchasing. We think we are cutting off our nose to spite our face as the supply chain moves overseas.

But as you calculate some of the costs of the supply chain moving overseas, is there any way to inform Congress or the executive branch about the other spill off costs in other parts of the budget, if you continue to have that domestic supply chain atrophy?

Dr. HALL. Yes, I can certainly talk with our Department of Defense analysts to see if they think there is enough information there for us to look at that. That is the sort of thing that we will do analytical reports on, the budgetary impact of that sort of thing.

I would be happy to follow up, and talk to our folks, and follow up with you to let you know what we see as possible.

Senator MURPHY. Great. Thank you, Dr. Hall.

Senator DAINES. Thank you, Senator Murphy.

Before we get to Senator Van Hollen, it is good to have you here, by the way.

Senator VAN HOLLEN. Thank you.

GDP OF 1.9 PERCENT AND INFLATION

Senator DAINES. Just a follow up question, and this really gets back to where the transparency and showing assumptions would be helpful for all of us.

Just looking at the GDP forecast of, let us say, 1.9 percent in the out years, were you assuming that inflation would be up and there-

fore interest rates had to be rising with a GDP of 1.9 percent or did I misunderstand that?

Dr. HALL. Yes, well, what we see is GDP is getting above the potential, which is above 1.9 for a couple years.

Senator DAINES. Yes.

Dr. HALL. And then this rise in interest rates and possible inflation will actually slow growth to below 1.8 percent, we think, for a couple years. And then finally settle back in at its potential by the end of the 10 year period at about 1.8, 1.9.

So we actually have it above and then we have it below. That is part of why it is hard to tell quickly whether we are going to settle at something higher or lower.

Senator DAINES. Yes, thank you. And that is where I think this, as we get to June, being able to place some sensitivity analysis with different assumptions, because it can yield very different outcomes and it is all going to be based on which assumption is going to be the most accurate one.

Dr. HALL. Sure.

Senator DAINES. Okay, thank you.

Senator Van Hollen.

Senator VAN HOLLEN. Thank you. First of all, Mr. Chairman, I look forward to working with you and the Ranking Member.

Welcome to both of you. Dr. Hall, thank you for the good work you and your team do at the Congressional Budget Office. I serve on the Senate Budget Committee and I appreciate your presentations and working with our staff to clarify some of the issues in recent testimony.

I look forward to supporting your budget requests because I think that the work the CBO does is very important. Sometimes we disagree with an analysis, sometimes we agree. But the reality is we need an independent scorekeeper and referee. So thank you.

Mr. Dodaro, thank you for your work at GAO and I have a couple of questions related to some areas you have been involved in, in the past, with respect to oversight; you, the GAO.

And one has to do with the FBI headquarters building because the GAO, as you know, has done at least one very extensive report on the FBI building proposals. In fact, back during the 2009 Omnibus Appropriations Act, the Congress directed the GAO to examine the FBI's headquarter facilities.

In response, you examined the extent to which the facility supported the FBI's security, space, and building requirements. And you looked at the different security requirements that were required at a building like the FBI headquarters.

You recommended, and I quote, "That the FBI should document decisions about and track its implementations of all security recommendations for the Hoover Building and the FBI's headquarter annexes. GSA should reassess its decision to limit recapitalization investments in the Hoover Building since the FBI is likely to stay in it for several more years while its long term facility needs are being planned." And the FBI agreed with those recommendations.

After many years where the FBI and the GSA were looking at new sites for the FBI headquarters in both Maryland and Virginia, they very abruptly and without much explanation, said they are going to actually stay at the current location and modernize there.

My question to you, since the GAO has looked into this, and without divulging sensitive information, do you think a new headquarters building at the current site can be built in a way that meets the ISC Level 5 security specifications?

Mr. DODARO. It would depend on the specific proposals that the FBI and GSA would make in order to address the issues that they identified previously.

We have not done any work in this area since the report that you mentioned. We do have an outstanding request from Senator Grassley and Congressman Connolly to look at it, but we are waiting until the FBI and GSA make a decision.

They have changed their approach, as you point out in your statement, and in the interim, Congressman Connolly has asked the GSA IG to look at what the basis was for the change in their decision to move from the swap proposal into staying at the current location.

We have not done any work on their proposal yet. I do not have any insights into how they are planning to address those issues.

Senator VAN HOLLEN. Well, I look forward to working with the Chairman here as well as others on the Appropriations Committee to ask GAO to look into the new proposals because most of the Federal agencies that are able to meet that level of security requirement, have major set-backs like the CIA, like the NSA, and others. You just cannot have that kind of setback at that site.

When the new proposals came down, all we got to back it up was a 22 page PowerPoint presentation. That was part of a \$2.1 billion project.

In your experience is that sufficient back up for a Federal agency request of that magnitude?

Mr. DODARO. We have not looked at what would be the underpinning for the PowerPoint presentation. So I do not have any insight into what work they did that led to that discussion.

We would typically get involved once there is a detailed prospectus put in place.

Senator VAN HOLLEN. Yes.

Mr. DODARO. Part of our recommendations previously were for GSA and the FBI to follow best practices in terms of capital planning and investment. So that will be what we would look for when we assess their proposal.

Right now, we are trying to work with the requesters to decide when we should engage in looking at the new proposal, given the fact that the GSA IG is already looking at it.

ENFORCEMENT OF IMPOUNDMENT CONTROL ACT

Senator VAN HOLLEN. Got it. The final question, Mr. Chairman, relates to something else the GAO has been involved with over the years, and that is enforcement of the Anti-Impoundment Act, the Impoundment Control Act.

Mr. DODARO. Yes.

Senator VAN HOLLEN. As you know, if the executive branch, regardless of party, refuses to release funds, it begins a clock ticking. I believe it is a 45-day period.

Is that right?

Mr. DODARO. It is 45 days from the time the President would make a proposal; that is, send the rescission package to the Congress.

Senator VAN HOLLEN. Right, yes.

Mr. DODARO. What happens in terms of what GAO does from there, is that your question?

Senator VAN HOLLEN. My question is you are saying that would only be triggered in the event that they sent a proposal to the Congress.

But I believe back in the day, the GAO actually brought a case during the Nixon administration when they claimed the authority to simply withhold funds.

Is that not the case?

Mr. DODARO. Yes, these are two different things.

One, under the Impoundment Control Act, we have a responsibility. If we notice, or something is brought to our attention, that money that is appropriated by the Congress has not been released by the administration, we investigate, and then report to the Congress.

We did that recently at the Department of Energy. There is a loan program for \$91 million that was supposed to be spent, but was not being released. We reported that this met the definition of a rescission. It should have been reported. The funds were then released.

The second part of our responsibility is if the President does send the rescission package to the Congress, there is a 45-day clock that starts if the President officially reports it. If the President withholds it and does not report it, we have to report it to the Congress if we discover and validate it.

Senator VAN HOLLEN. Okay.

Mr. DODARO. If they do report it, then the 45-day clock starts. Our responsibilities there are to advise the committees on what the probable effect would be of the rescission.

Senator VAN HOLLEN. Yes.

Mr. DODARO. We do that within 10 days based on already existing GAO work. If after the 46th day Congress has not approved the rescission package, then our responsibilities are to determine if the funds are then released by the President.

Senator VAN HOLLEN. Okay.

Mr. DODARO. If the money is still not released, based upon the work we would do at OMB and the agencies, then the Impoundment Control Act authorizes me to sue to release the funds through the U.S. District Court.

Senator VAN HOLLEN. So there are two areas I want to follow up that I would ask you to look into.

One has to do with funds at the NLRB that are not being spent.

Mr. DODARO. Right.

Senator VAN HOLLEN. And the other, I was just in a subcommittee hearing with the Attorney General, Attorney General Sessions. There are Justice Department Byrne Grants that the Justice Department withheld and applied their own unilateral conditions. Just within the last week, the Seventh Circuit found that that was an inappropriate set of conditions.

So those Byrne Grants are very important and I am going to want to follow up with you to find out when GAO can act to make sure that those funds are released.

Mr. DODARO. Yes, we will start to look at that right away.

The NLRB situation we are aware of and already looking at. We will be prepared within the next few weeks to give you a decision on that.

I was not aware of the Byrne Grants, but we can take a look at it right away.

Our policy is as soon as something comes to our attention, we look at it.

Senator VAN HOLLEN. That is why I wanted to put it on your radar screen, the Byrne Grants.

Mr. DODARO. The radar is always on.

Senator VAN HOLLEN. Thank you.

Mr. DODARO. Message received.

Senator VAN HOLLEN. Thank you.

All right, Mr. Chair.

Senator DAINES. Thank you, Senator Van Hollen.

INCREASED STAFFING

Mr. Dodaro, your request for fiscal year 2019 is very unusual in that it was level with the funding provided in fiscal year 2018. That does not happen very often in Washington, DC, which I appreciate, by the way.

Because of your investment in one-time IT and infrastructure costs this year, you could shift resources into fiscal year 2019 to address your personnel needs. It looks like you plan to hire an additional 80 FTE in fiscal year 2019 to get to a level of 3,020 in total FTE.

The question is this, if you were given additional resources—and I ask this question of somebody who just testified and said, “For every buck invested, you get \$128 buck back,”—would you be able to onboard additional staff above the planned 80 FTE for fiscal year 2019?

Mr. DODARO. Absolutely.

Senator DAINES. That is a pretty clear answer.

Mr. DODARO. I can elaborate.

Senator DAINES. Yes.

Mr. DODARO. I have been in this job for 10 years now and I have consistently said we need 3,250 FTEs. That is the optimum level for GAO within the current budgetary situation at the national level.

I believe the Federal Government is on an unsustainable long-term fiscal path. I am trying to act consistent with that and have reasonable expectations for what can be funded.

We can easily onboard additional people. We would use them in the same areas that I am planning to increase, that is, cyber security issues writ large. I think we are facing another evolution of security issues.

We designated cyber security on the Federal Government’s information systems as a government-wide high-risk area in 1997. Nobody could say we did not warn people this was going to be a problem.

In 2003, we designated critical infrastructure protection, and in 2015, protecting personally identifiable information.

I would use the extra staff in cyber security, and expand our science and technology work. I see technology as the next big evolution of GAO's growth to adjust to meet the needs of the Congress. I would also increase our defense and healthcare work.

Senator DAINES. So this 3,250 number that you just mentioned, if we got to that point, how would that additional staff affect your output? What I am looking for here is looking at a return on investment.

Mr. DODARO. Right.

Senator DAINES. At some point, are there diminishing returns? Are you looking for a sweet spot? We are, I guess, in terms of getting maximum ROI based on our investment.

Mr. DODARO. Right. I think the way to do it is to start at the 3,250 FTE level.

Our ROI is based on two factors. One is what do we identify that we recommend to the Congress and the executive branch?

Number two is how did the Congress and the executive branch act on our recommendations? Our recommendations have no force of law. It is really up to the Congress.

Senator DAINES. Yes, do not check the ROI on Congress. I think that could be something embarrassing.

Mr. DODARO. It would be higher if Congress would act on all our recommendations.

Senator DAINES. I was going to ask you about that here. Save that answer. I want to probe that for a minute here.

Mr. DODARO. Right. To be honest with you, I do not know where we would hit the diminishing returns.

Senator DAINES. Yes.

Mr. DODARO. I think if we start at 3,250 FTE and we are still operating at the same level, then I could assess whether going further—

Senator DAINES. There is an old saying feed your strengths and starve your weaknesses. Right?

Mr. DODARO. Yes.

POTENTIAL HIRING CHALLENGES

Senator DAINES. You can see return on investment. So if you want to hit the 3,250 and we said, "Let us go do that," what would be your barriers to hiring? Is it competitive salaries out there to get the best people to do these important jobs?

Mr. DODARO. We have some of the same kind of challenges that Keith mentioned.

Senator DAINES. Yes.

Mr. DODARO. We compete particularly for economists and science and technology people, but we really do not have a real serious problem in finding people. Our only limitation is the amount of funding that the Congress has given us.

We can bring the people in. We can train them. People love our mission. We do work on almost every national issue. We make a difference in that our recommendations are acted upon.

Our attrition rate is only at 6 percent. So people come. They stay. They like the work. They are energized by it. It is a continual learning environment.

We really do not have any recruitment or retention problems at GAO. It is just a matter of having the money to bring in the necessary people.

Senator DAINES. You mentioned that your ROI is dependent on Congress acting on what you recommend. Billions of dollars of savings have been achieved as a result of your work. You mentioned that especially in the areas of your high risk report on "Fragmentation, Overlap, and Duplication," of Federal programs.

The question that gets back to what you alluded to, dependence on this institution, Congress, to implement what you tell us. Has Congress been aggressive enough to address these areas, and how can we do more to the follow up in getting it done?

CONGRESS HELPS IMPLEMENT RECOMMENDATIONS

Mr. DODARO. Yes. First, the Congress has been very helpful and active in the high-risk program. In the last 2 years, they have passed 12 pieces of legislation to try to address the high-risk issues that we have identified.

Overall, over three-quarters of our recommendations are implemented over a period of time.

The \$136 billion that I mentioned, savings for overlap, duplication, and fragmentation, has largely come through congressional actions to let the ethanol tax credit lapse, for example, and to eliminate the direct farm payment program that replicated other programs. It was only supposed to be a temporary program. Also Congress allowed for the sale from the strategic petroleum reserve to get additional revenue.

OVERLAP, DUPLICATION AND FRAGMENTATION

Tomorrow, I will be testifying on our eighth annual report on overlap, duplication, and fragmentation. In that report will be an appendix that will list 58 open matters for congressional consideration that have not yet been acted upon.

Senator DAINES. So how much money are we leaving on the table?

Mr. DODARO. There are tens of billions of dollars. There are recommendations to the executive branch. I do not want to let them off the hook. It is both to the Congress and to the executive branch.

I talked to the Deputy Director for Management at OMB, and they are going to be taking a look at our recommendations that are still open, as well as new ones.

Senator DAINES. So last question for the sake of this committee as well. I would like to see that list of recommendations that have not yet been implemented by Congress as well as the executive branch.

Mr. DODARO. Sure.

Senator DAINES. And frankly, any other recommendations you have because that is money we are leaving on the table here based on the hard work that you are doing.

Mr. DODARO. There are some big dollar savings.

Senator DAINES. Right.

Mr. DODARO. Particularly in Medicare and Medicaid.
 Senator DAINES. Okay. Thank you.
 Senator Murphy.
 Senator MURPHY. Thank you very much, Mr. Chairman.

GAO EXTERNAL OUTREACH

I guess I could ask this question to either one of you, but we are on you, Mr. Dodaro, so I will ask it to you.

There is a lot of discussion about a general assault on the idea of objective truth these days and in this place, as close as we came to objective truth was reports from the CBO and, in particular, from the GAO who would deliver to us some pretty tough recommendations that generally, republicans and democrats, would stick to.

Yet today, we have members of the administration saying nobody should ever listen to the CBO. We have a lot of other people who just seem intent on pushing their own spin.

I would just be interested to hear from you as to whether you have seen any diminution, any influence of GAO reports or whether you have any worry about this constant questioning of whether there is any truth, any set of facts underlying the political spin from the left and the right?

Mr. DODARO. Yes, well, to the first part of your question, I have seen no diminution in the reaction to GAO reports.

In addition to meeting with all the Chairs and Ranking Members of all the committees in the Congress that we do work for, I have also met with the heads of departments and agencies in most of the departments and agencies across the Federal Government. I send them a letter every year with open GAO recommendations that are prioritized for them, such as which ones I think have the biggest return on investment, or most affect public safety, or improve public safety.

We have established a working relationship with the executive branch that is fairly good, with the major departments and agencies. I would say there are no big problems there.

ACCESS TO NEEDED INFORMATION

In terms of the second part of your question about whether I am worried. I am an auditor. You pay me to worry about things, and you pay me to identify emerging issues so there is always that concern.

I feel we have a good reputation. It is sound and people are being responsive to us. Now, we have continual problems, which we have had with all administrations, such as getting answers out of the White House, if our work touches on the White House.

The intelligence community has been more cooperative than they have historically, but we still have some problems over there. We need support from the intelligence committees to do effective work.

Sometimes in the law enforcement area, although we have not had anything recently, we had problems. And we have had some problems with every administration getting access to information and being responsive. I met with the heads of those departments and agencies and we worked it out with support from the Congress.

And so, if I run into problems, I will come to the Congress, and ask for help and support in working them out. As for right now, I do not see any big change.

Senator MURPHY. You mentioned the inability of the Department of Defense to get an audit done.

DOD FINANCIAL AUDITS

How does DoD's receptivity to your requests for information rank amongst agencies that you deal with?

Mr. DODARO. Yes, they have been very good. I met with Deputy Director Shanahan. I have met with all the service secretaries from Army, Air Force, and Navy. I am meeting this Friday with the new Chief Management Officer over there. I have met with the new Comptroller.

I think they have the best approach that I have seen in 20 years of trying to tackle this issue at DoD.

DOD RECOMMENDATION IMPLEMENTATION CHALLENGES

Now, that being said, DoD has a lower implementation rate on our recommendations than many other agencies, and I will be discussing that with them. They have over 1,000 open GAO recommendations. I have prioritized the top 76 and a lot of them get implemented through the Defense Authorization Bills over time.

So Congress has been very supportive when we need congressional help there to implement some of those recommendations. I am hopeful they will have a better uptake.

HHS OPEN RECOMMENDATIONS

The two areas are there at DoD and at CMS over at the Department of Health and Human Services. I met with Seema Verma. I met with Tom Price when he was secretary. I am trying to meet with the new secretary. We are meeting quarterly with them to discuss open recommendations at CMS.

I am hopeful we will see a better response to our recommendations both at DoD and CMS.

DOD AND BUY AMERICA LAWS

Senator MURPHY. And I know, because we have talked about this issue of the effect of Buy America laws and compliance at DoD that it is an issue that you are interested as well.

The Inspector Generals at the Department of Defense have issued some of their most damning reports with respect to Buy America compliance where they have, at least on multiple occasions, found noncompliance rates of 40 percent with respect to the existing Buy America laws, never mind any conversation we may have about tightening them up.

I know this is something that you are pursuing as well. Correct?

Mr. DODARO. Yes, that is correct. We have work underway to look at the types of goods that are purchased that are subject to the Buy America Act, and what kind of training is provided so that people will know what their responsibilities are under the law. We expect that report to be issued later this year.

GAO AUDIT PLAN FOR DISASTER SUPPLEMENTAL

Senator MURPHY. And then finally, the fiscal year 2018 supplemental provided GAO with \$14 million to conduct oversight of the \$90 billion in disaster relief that we provided to Puerto Rico, and the Virgin Islands, and other areas affected by the 2018 hurricanes and wildfires.

Can you just talk about your audit plan and when Congress can expect to see something?

Mr. DODARO. We issued our first report in February on the amount of contracts that had been let by 19 different Federal agencies at that point in time. Most of the money was let by FEMA and DoD, but other agencies will be engaged more as we get into recovery.

We have 11 audits underway right now looking at things like the disaster recovery plans in Puerto Rico and the Virgin Islands. We have work underway looking at restoring the power grid in Puerto Rico. We have work underway looking at the response to the wildfires.

We will have a comprehensive report on the Federal Government's initial response to these disasters coming out this summer, and then we will have detailed reports that will drill-in into individual areas.

We have 12 other audits that are planned to be started over the next 18 months. We have a plan with 23 different audits.

As the recovery proceeds, SBA will be in there. We are going to look at HUD. A lot of money went through the CDBG, the Community Development Block Grant program. DOT gets involved in those areas, the Red Cross, and DoD as well. So we will have a comprehensive look.

We have done this work over the years with Hurricanes Katrina and Rita dating back to Hurricane Andrew in the early 1990s in Florida. So we have expertise.

We appreciate the additional money. That will help us. We have already planned to bring back some people that have had some expertise in that area and bolster our capabilities by hiring more people.

Senator MURPHY. One last follow up question.

One unique aspect, though, of the Puerto Rico recovery is the existence of the oversight board, which was initially established to oversee the debt restructuring process for the island.

Mr. DODARO. Right.

Senator MURPHY. But now is rightly involved in the expenditure of these dollars.

I just want to make sure that in your report, you are going to be looking at, and perhaps critiquing, whether or not there is efficiency added to the process, whether it be logistical or financial efficiency, by the oversight board's involvement. In some ways very detailed involvement, I would argue, over prescriptive involvement in the dispensing of these dollars.

Mr. DODARO. Yes, we will definitely look at that. We have looked at other oversight boards in the past, for example, when there was one set up for the DC government many years ago. So we will take a look at that.

I also have the comptroller from Puerto Rico on an advisory committee that I have of State and local officials. We have a good relationship with her. We have a lot of contacts in Puerto Rico. We have already had teams onsite, so we will take a look at that issue.

Of course, you have the confluence here of two very significant events. You had their economic travails early on and then the Hurricane. They are trying to solve multiple issues at the same time, we will be sensitive to that, but we will look at how they are doing and whether we think it makes sense.

Senator MURPHY. Well, thank you.

Thank you, Mr. Chairman.

Senator DAINES. Thank you, Senator Murphy.

This concludes the Legislative Branch Appropriations Subcommittee hearing regarding fiscal year 2019 funding for the Government Accountability Office and the Congressional Budget Office.

ADDITIONAL COMMITTEE QUESTIONS

Thank you, Mr. Dodaro and Dr. Hall for your testimony.

The hearing record will remain open for 7 days, allowing Members to submit statements and/or questions for the record, which should be sent by close of business Wednesday, May 2, 2018.

[The following questions were not asked at the hearing, but were submitted to the Agencies for response subsequent to the hearing:]

QUESTION SUBMITTED TO DR. KEITH HALL

QUESTION SUBMITTED BY SENATOR CHRISTOPHER MURPHY

Question. In regards to the Buy America Law, Senator Murphy would like to know if CBO would be able to inform the Congress of the impacts to the economy if we were to move the majority of our defense supply chain overseas. He's specifically concerned with the Department of Defense moving a number of their functions overseas.

Answer. A change by the Department of Defense and its contractors to permit greater purchases of goods and services abroad would have various economic effects, depending on the period examined and the economic conditions. Such a change could also affect national security.

In the short run, such a change could create significant disruptions. A drop in Federal defense spending on domestic goods and services, if it was abrupt or unexpected, would decrease domestic production, increase imports, and thus lower gross domestic product (GDP) in the short term. CBO estimates that for each one-dollar increase in net imports, the total decrease in GDP and income over 2 years would be 50 cents.¹

However, the effects of changes in defense spending on local economies vary with local economic conditions and other factors.² The effects are greatest when unemployment in local economies is higher and when workers have narrowly targeted skill sets. Broadly speaking, not only can replacing domestic production with imports be costly for domestic workers who become unemployed when their occupa-

¹In CBO's estimation, that would be the case in economic conditions in which the Federal Reserve was likely to try to offset the effects of changes in fiscal policies by altering interest rates. See Valerie A. Ramey and Sarah Zubairy, "Government Spending Multipliers in Good Times and in Bad: Evidence from US Historical Data," *Journal of Political Economy*, vol. 126, no. 2 (March 2018), pp. 850–901, <http://dx.doi.org/10.1086/696277>; Charles J. Whalen and Felix Reichling, *The Fiscal Multiplier and Economic Policy Analysis in the United States*, Working Paper 2015–02 (Congressional Budget Office, February 2015), www.cbo.gov/publication/49925; and Congressional Budget Office, *How CBO Analyzes the Effects of Changes in Federal Fiscal Policies on the Economy* (November 2014), www.cbo.gov/publication/49494.

²For example, see Edward G. Keating and others, *The Economic Consequences of Investing in Shipbuilding: Case Studies in the United States and Sweden* (RAND Corporation, 2015), www.rand.org/pubs/research_reports/RR1036.html.

tions, businesses, or industries shrink; such workers tend to earn markedly less once they are reemployed.

Over time, if the Department of Defense was able to import goods and services at a lower cost than it could purchase them domestically and if spending on defense was correspondingly lower, Federal deficits would be smaller, and domestic resources could be reallocated to more efficient uses. Indeed, in the long term, international trade generally encourages a more efficient allocation of resources in the economy and raises the average productivity of businesses and industries in the United States.³ However, a small portion of defense spending—the part dedicated to basic and applied research—contributes to the U.S. economy’s overall productivity, in CBO’s view, so moving that spending abroad could partially offset those positive effects.⁴

A separate concern is that reliance on international supply chains can jeopardize national security. If such supply chains were disrupted, developing domestic sources of defense goods and services might take time.

QUESTIONS SUBMITTED TO HON. GENE DODARO

QUESTIONS SUBMITTED BY SENATOR CHRIS VAN HOLLEN

Question. According to press reports, the executive branch may be withholding some of the funding that Congress has appropriated to the National Labor Relations Board (NLRB), which is the agency responsible for protecting the rights of workers in the private sector. At a hearing of the Senate Appropriations Subcommittee on the Legislative Branch on April 25, you indicated to me that the Government Accountability Office was looking into this potential impoundment of funding at NLRB, which could be in violation of the Impoundment Control Act. Is GAO still examining whether there is an impoundment taking place at NLRB, and if so, when do you expect to report to Congress on this question?

Answer. Our work on the potential impoundment of funds at NLRB is ongoing. We expect to provide your staff with an update by the end of June 2018.

Question. When can GAO make sure the Department of Justice Edward Byrne Memorial Justice Assistance Grants (Byrne JAG) are released?

Answer. Our work on the potential impoundment of funds for Byrne Grants is ongoing. We expect to provide your staff with an update by the end of June 2018.

Senator DAINES. The next hearing of this subcommittee will be held on Tuesday, May 8 at 2:30 p.m., in Dirksen 124, when we will hear testimony from the Librarian of Congress and the Architect of the Capitol regarding their fiscal year 2019 budget requests.

SUBCOMMITTEE RECESS

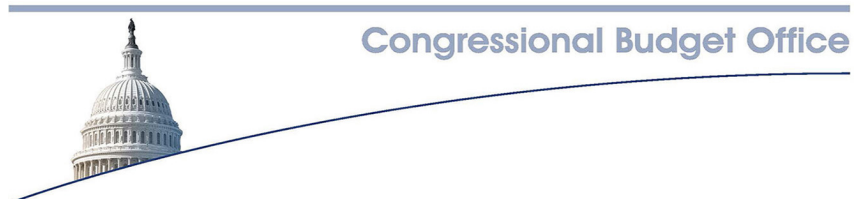
Until then, the subcommittee stands adjourned.

[Whereupon, at 4:24 p.m., Wednesday, April 25, 2018. The subcommittee was recessed, to reconvene at 2:30 p.m., Tuesday, May 8.]

³For a discussion of the ways in which trade affects the economy, see Congressional Budget Office, *How Preferential Trade Agreements Affect the U.S. Economy* (September 2016), www.cbo.gov/publication/51924.

⁴For a discussion of the sources of Federal investment, see Congressional Budget Office, *Federal Investment* (December 2013), www.cbo.gov/publication/44974.

APPENDIX A
CONGRESSIONAL BUDGET OFFICE



Testimony

CBO's Appropriation Request for Fiscal Year 2019

Keith Hall
Director

Before the
Subcommittee on the Legislative Branch
Committee on Appropriations
United States Senate

April 25, 2018

This document is embargoed until it is delivered at 3:30 p.m. (EDT) on Wednesday, April 25, 2018. The contents may not be published, transmitted, or otherwise communicated by any print, broadcast, or electronic media before that time.

Chairman Daines, Ranking Member Murphy, and Members of the Subcommittee, thank you for the opportunity to present the Congressional Budget Office's budget request. CBO is asking for appropriations of \$50.7 million for fiscal year 2019. That amount represents an increase of \$0.8 million, or 1.6 percent, from the \$49.9 million provided to CBO for 2018. Of the total amount, nearly 91 percent would be used for personnel costs.

Reasons for the Requested Increase in Funding

Increases of \$2.6 million for three priorities—to pay for current staffing, to bolster responsiveness and transparency, and to expand analytical capacity—would be significantly offset by onetime savings of \$1.8 million this year. With the requested funding, CBO would be able to add 13 new employees to augment its capabilities.

Paying for Current Staffing

CBO requests an increase of \$1.2 million to fund current staffing levels in 2019. That amount would be used for a small increase in employees' average salary and benefits to keep pace with inflation. If such funding is not provided, CBO will need to shrink its staff and consequently provide less information and analysis to the Congress in 2019.

Bolstering Responsiveness and Transparency

CBO proposes to hire 20 new staff members by 2021 to bolster its responsiveness and transparency. In 2019, the agency would hire 10 of those new employees at a total cost of \$1.0 million, mainly for salary and benefits. (The additional staff members would be hired partway through fiscal year 2019, so the addition in terms of full-time-equivalent positions, or FTEs, would be 8 rather than 10.) The new staff would help CBO respond to requests for information more quickly when there is a surge in demand. They would also allow CBO to supply more information about its analysis and models without reducing the valuable services that it provides to the Congress at its current staffing. The agency has shifted resources already to undertake such activities and has plans for further shifts, but many initiatives of great interest to the Congress could be undertaken only with more employees.

(The amount in CBO's original budget request for 2019, submitted before the recently established appropriation for 2018, was \$0.8 million.)

Expanding Analytical Capacity

CBO proposes to expand its analytical capacity primarily by adding three new health care analysts (a number equivalent to two FTEs) in 2019. The total cost would be \$0.4 million (\$0.3 million in personnel costs and \$0.1 million in nonpersonnel costs, mostly for inter-agency agreements). Congressional interest remains high in modifying or replacing the Affordable Care Act and changing Medicare or Medicaid, and the new analysts would help the agency examine new approaches to do so.

(In CBO's original budget request, the amount for "Expanding Analytical Capacity" was \$0.6 million, but a portion of the requirement has been funded from the 2018 appropriation. So CBO has redirected \$0.2 million from the originally proposed amount to address the priority "Bolstering Responsiveness and Transparency.")

Applying Offsetting Savings

The increases for the three priorities are offset by \$1.8 million in savings resulting from being able to use fiscal year 2018 funding to cover onetime costs for the migration of the agency's data center and contractors' support of transparency efforts and to pay for some multiyear contracts to acquire data and to install new communication lines.

CBO's Budget Request and Its Consequences for Staffing and Output

In fiscal year 2019, CBO will continue its mission of providing objective, insightful, timely, and clearly presented budgetary and economic information to the Congress. To fulfill that mission, the requested funding of \$50.7 million would be used for personnel costs (that is, salaries and benefits) and nonpersonnel costs for IT (information technology) and other items, such as training, as follows:

Funding Request for Personnel Costs and Consequences for Staffing

CBO requests \$45.9 million for salary and benefits, which equals 91 percent of its funding request. Those funds would support 249 FTEs. The requested amount represents an increase of \$2.5 million, or 6 percent. The total requested amount would break out this way:

- \$34 million would cover salaries for personnel—an increase of \$1.8 million, or 6 percent, from the amount that will be spent in fiscal year 2018. The increase would include \$0.9 million in pay

for 13 new staff members, 10 of them to bolster CBO's responsiveness and transparency and 3 to expand analytical capacity. (The addition in terms of FTEs would be 10.) The increase would also cover performance-based salary increases for current staff and an across-the-board increase of 2.6 percent for employees earning less than \$100,000.

- \$11.9 million would fund benefits for personnel—an increase of \$0.7 million, or 6 percent, from the amount projected to be spent in 2018. The increase would cover an increase in the cost of federal benefits, as well as benefits for the 13 new staff members.

Funding Request for Nonpersonnel Costs

CBO requests \$4.9 million for nonpersonnel costs, which equals about 10 percent of its funding request. Those funds would cover current IT operations—such as software and hardware maintenance, software development, purchases of commercial data, communications, and equipment purchases—and would pay for travel, training, interagency agreements, facilities support, printing and editorial support, expert consultants, financial management auditing support, and subscriptions to library services. The requested amount represents a net decrease of \$1.7 million, or 26 percent, but would allow CBO to fund support costs for the 13 new staff members, covering travel, training, furniture, and IT for them (\$65,000).

Consequences for Output

The requested amount of funding would allow CBO to provide estimates and other analyses to the Congress in roughly these quantities:

- More than 600 formal cost estimates, most of which will include not only estimates of federal costs but also assessments of the cost of mandates imposed on state, local, and tribal governments or the private sector;
- Thousands of preliminary, informal cost estimates, the demand for which is very high as committees seek a clear picture of the budgetary impact of proposals and variants of proposals before they formally consider legislation;
- More than 100 scorekeeping tabulations, including account-level detail for individual appropriation acts at all stages of the legislative process, as well as

summary tables showing the status of discretionary appropriations (by appropriations subcommittee) and running totals on a year-to-date basis;

- About 80 analytic reports and papers—generally required by law or prepared in response to requests from the Chairmen and Ranking Members of key committees—about the outlook for the budget and the economy, major issues affecting that outlook under current law, the budgetary effects of policy proposals that could change the outlook, and a broad range of related budget and economic topics in such areas as defense policy, infrastructure, Social Security, and housing;
- Numerous files of data documenting detailed 10-year baseline budget projections, 10-year economic projections, long-term budget projections (spanning 30 years), and other information underlying analytic reports—all of them posted on CBO's website; and
- Descriptions of policy options that would reduce budget deficits, as well as publications that increase the transparency of CBO's work and communicate that work graphically.

Despite high productivity by a dedicated staff, CBO expects that the anticipated volume of estimates and other analyses will fall considerably short of the number of Congressional requests. The demands on the agency remain intense. For example, the workload associated with the analysis of appropriations has been heavy, and the Congress remains acutely interested in analyses of proposals affecting health insurance. Other issues arise frequently and create a heavy demand for analysis; for example, over the past year, CBO analyzed legislation related to immigration, veterans' health, water rights, opioid abuse, education, and nutrition. Analyzing the possibilities and proposals has strained the agency's resources in many areas. CBO regularly consults with committees and Congressional leadership to ensure that its resources are focused on the work that is of highest priority to the Congress.

How Additional Funding Could Improve CBO's Responsiveness, Transparency, and Analytical Capacity

In response to proposals that CBO provide information more quickly and transparently than is possible with its current staffing—while continuing to meet its goal

of providing objective, insightful, high-quality information—the agency proposes to dedicate additional resources to doing so. As explained, CBO proposes to hire 13 new employees in 2019, and it proposes bringing on a total of 20 new employees over the next three years—or more quickly, if the Congress chooses to appropriate the necessary funding more quickly than CBO is asking. Some proposals related to CBO's speed and transparency would require even more resources than the agency is requesting.

Responsiveness

Last year marked the highest number of formal cost estimates in a decade: 740. Over 70 percent of those estimates were published within 30 days of markup, and over 40 percent of those estimates were published within two weeks. The overall average for completing a cost estimate was 25 calendar days after markup.

In 2017, CBO enhanced its tracking system for cost estimates, including focusing more on identifying why some cost estimates take longer to complete. (Fewer than 10 percent of estimates took longer than 60 days to complete in 2017.) The reasons vary. In many cases, the legislation or the required analysis is particularly complex. In some cases, legislative language is not in final form when received, or CBO is waiting for data from agencies or relevant stakeholders. In any case, CBO's goal is to improve the turnaround time when it can, and identifying those roadblocks is one of the first steps toward that goal. The agency aims to use the expanded tracking system to improve on its performance in terms of timeliness, which already ensures that almost all reported bills receive a cost estimate before final consideration on the floor of either chamber.

With additional resources, CBO would be able to pursue three main strategies to produce cost estimates more quickly. First, the agency would hire more assistant analysts, who could move from one topic to another and provide support to more senior analysts when demand surged for analysis of a particular topic, such as health care, natural resources, or banking. Second, CBO would hire analysts to develop deeper expertise in certain topics, such as cybersecurity and higher education policy, so that the agency was better positioned to analyze new proposals in those areas. Third, the agency would hire analysts to expand its use of team approaches, in which work on large and complicated proposals is shared.

CBO's proposed expansion of its analytical capacity would also bolster the agency's responsiveness in the long term by creating a stronger base on which to build when starting new analyses.

Transparency

CBO is actively exploring ways to provide additional information about its modeling that would be useful to the Congress. The agency has released new publications this year describing its processes for producing economic forecasts, budget baselines, and cost estimates.¹ Key staff are making presentations to Congressional staff about those processes.² In the coming months, efforts to bolster transparency will include the following:

- Exploring ways to make more supporting documentation of the methods used in baseline projections and cost estimates publicly available;
- Publishing detailed information about key aspects of CBO's updated model for simulating health insurance coverage—including computer code—and about how analysts use the model in preparing estimates;
- Developing a version of CBO's model for projecting spending on discretionary programs to allow for replicating roughly 40 percent of the agency's formal cost estimates;

1. See Robert W. Arnold, *How CBO Produces Its 10-Year Economic Forecast*, Working Paper 2018-02 (Congressional Budget Office, February 2018), www.cbo.gov/publication/53537; and Congressional Budget Office, *How CBO Prepares Baseline Budget Projections* (February 2018), www.cbo.gov/publication/53532, *How CBO Prepares Cost Estimates* (February 2018), www.cbo.gov/publication/53519, and *How CBO and JCT Analyze Major Proposals That Would Affect Health Insurance Coverage* (February 2018), www.cbo.gov/publication/53571.

2. For example, see Jessica Banthin, Deputy Assistant Director, Health, Retirement, and Long-Term Analysis Division, Congressional Budget Office, "An Overview of CBO's Estimates of Federal Subsidies for Health Insurance for People Under Age 65: 2017 to 2027" (presentation at a Congressional Research Service seminar, Washington, D.C., January 10, 2018), www.cbo.gov/publication/53447; and Sarah Masi, Analyst, Budget Analysis Division, Congressional Budget Office, "Estimating the Costs of Proposals Affecting Health Insurance Coverage" (presentation at a Congressional Research Service seminar, Washington, D.C., January 10, 2018), www.cbo.gov/publication/53448.

- Releasing technical documentation and computer code explaining how key parts of CBO's long-term budget model work and how they contribute to the agency's analyses;³
- Providing information online that enables users to examine how a large variety of changes in baseline economic projections can affect projections of the federal budget;
- Publishing revised estimates of how certain changes to laws governing medical malpractice would affect medical spending, explaining the reasons behind revisions to the methodology used, documenting the model used to project how those changes to laws would affect medical costs, and making computer code for that model available;
- Posting on the agency's website a tool for examining the costs of different military force structures; and
- Providing computer code that generates results discussed in a working paper about CBO's model of the economy's maximum sustainable output.⁴

In many cases, CBO produces cost estimates and baseline projections through complex processes that integrate information from numerous models and other analytical tools. Additional resources would allow CBO to explain more about those processes in presentations, slide decks, working papers, and reports.⁵ Such explanations would show how computer programs used in CBO's modeling

fit into the broader scope of the agency's analysis, which consists mainly of identifying how proposed legislation would affect the budget; assessing which types of effects would be substantial enough to quantify; and integrating different types of research, on the basis of historical data, to project people's and institutions' responses to legislative changes. The processes differ from estimate to estimate so that CBO can make the best use of different types of research. The complexity of CBO's analysis and the different analytical tools that are often brought to bear make documentation time-consuming and resource-intensive.

Added resources would also allow CBO to produce other kinds of information that would aid transparency. For instance, CBO could provide more information about the basis for key parameters that underlie the results of models.⁶ Additional funding would also help the agency turn its internal comparisons of projections and actual results—for the economy, revenues, spending, deficits, and debt—into public documents.⁷

Input from outside experts and extensive external review will remain an important component of transparency:

- CBO will continue to solicit external professional review of its work so that the agency's analyses reflect both the consensus and diversity of views of experts from around the country. For example, in updating its simulation model of health insurance coverage, CBO will get systematic feedback from the research community by making presentations about different aspects of the model as they are developed.
- The agency's cost estimates will often draw on consultation with outside experts.

3. For the first of those explanations providing a general description of that model, see Congressional Budget Office, *An Overview of CBO's The Congressional Budget Office Long-Term Model* (April 2018), www.cbo.gov/publication/53667.

4. See Robert Shackleton, *Estimating and Projecting Potential Output Using CBO's Forecasting Growth Model*, Working Paper 2018-03 (Congressional Budget Office, February 2018), www.cbo.gov/publication/53558.

5. For several recent examples, see Joshua Montes, *CBO's Projection of Labor Force Participation Rates*, Working Paper 2018-04 (Congressional Budget Office, March 2018), www.cbo.gov/publication/53616; Congressional Budget Office, "Modeling the Subsidy Rate for Federal Single-Family Mortgage Insurance Programs" (January 2018), www.cbo.gov/publication/53402; and Wendy Kiska, Jason Levine, and Damien Moore, *Modeling the Costs of the Pension Benefit Guaranty Corporation's Multiemployer Program*, Working Paper 2017-04 (Congressional Budget Office, June 2017), www.cbo.gov/publication/52749.

6. For example, see Congressional Budget Office, "Key Methods That CBO Used to Estimate the Macroeconomic Effects of the 2017 Tax Act" (supplemental material for *The Budget and Economic Outlook: 2018 to 2028*, April 2018), <https://go.usa.gov/xQcZD>.

7. For examples of such comparisons, see Congressional Budget Office, *CBO's Record of Projecting Subsidies for Health Insurance Under the Affordable Care Act: 2014 to 2016* (December 2017), www.cbo.gov/publication/53094, *An Evaluation of CBO's Past Outlay Projections* (November 2017), www.cbo.gov/publication/53328, *CBO's Economic Forecasting Record: 2017 Update* (October 2017), www.cbo.gov/publication/53090, and *CBO's Revenue Forecasting Record* (November 2015), www.cbo.gov/publication/50831.

- CBO's Panel of Economic Advisers will meet twice a year to provide input on the agency's latest economic forecast and other issues, and CBO's Panel of Health Advisers will meet to discuss key issues affecting the agency's baseline projections and analyses of proposals and to examine new research in health care and health care financing.
- CBO will also regularly consult with those distinguished experts on its panels and other experts for guidance on the agency's work on a broad range of topics.

Analytical Capacity

Interest in legislative proposals related to health care—on the part of committees of jurisdiction, the Congressional leadership, and the budget committees—remains very great. The enactment of the Affordable Care Act in 2010 was followed by strong Congressional interest in analysis of that legislation and possible modifications to it, as well as in potential changes to Medicare or Medicaid. Recently, the Congress has devoted substantial time to discussing proposals to repeal and replace the Affordable Care Act. Those developments boosted CBO's workload, and the agency anticipates that the Congress will request much more analysis of such proposals, related executive actions, and other potential changes. Adding health care analysts would help the agency keep up with those interests and developments and produce a greater range and volume of analysis.

In addition to responding to those immediate concerns, CBO is engaged in longer-term projects, analyzing

various aspects of the health care system and enhancing the agency's future analytical capacity to assess the effects of legislation on that system and on the federal budget. Additional staff would enable CBO to make more rapid progress on the important effort of updating its simulation model of health insurance coverage without constraining its work on current legislative proposals.

In closing, I would like to thank the Committee for its long-standing support of CBO. That support has allowed CBO to provide budget and economic analysis that is timely, thoughtful, and nonpartisan as the Congress addresses issues of critical importance.

This testimony summarizes information in CBO's budget request for fiscal year 2019, which was prepared by Mark Smith, with contributions from Leigh Angres, Joseph E. Evans, Jr., Deborah Kilroe, Jeffrey Kling, Cierra Liles, Terry Owens, Benjamin Plotinsky, and Stephanie Ruiz.

Mark Hadley and Robert Sunshine reviewed the testimony, John Skeen edited it, and Casey Labrack prepared it for publication. It is available on CBO's website at www.cbo.gov/publication/53763.



Keith Hall
Director



APPENDIX B
GOVERNMENT ACCOUNTABILITY OFFICE



United States Government Accountability Office

Testimony

Before the Subcommittee on the
Legislative Branch, Committee on
Appropriations, U.S. Senate

For Release on Delivery
Expected at 3:30 p.m. ET
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FISCAL YEAR 2019
BUDGET REQUEST

U.S. Government
Accountability Office

Statement of Gene L. Dodaro,
Comptroller General of the United States

Chairman Daines, Ranking Member Murphy, and Members of the Subcommittee, thank you for the opportunity to discuss our fiscal year (FY) 2019 budget request. I very much appreciate the confidence this subcommittee has shown in supporting our efforts to serve the Congress and improve government performance, accountability, and transparency.

Since 2014, this Committee has provided funding that has resulted in our work achieving over \$265 billion in financial benefits and more than 5,000 other improvements in federal programs and government operations. Last fiscal year alone, our work generated almost \$74 billion in financial benefits and 1,280 program and operational improvements across government. This resulted in a return of \$128 for every dollar invested in GAO. GAO's work was also incorporated into appropriation and authorization legislation passed over the past year, including requirements for federal agencies to implement GAO's recommendations.

I also thank the Committee for its support for our FY 2018 appropriation. We have revised both our FY 2018 operating plan and our FY 2019 request to reflect the new appropriation level, including the disaster assistance supplemental funds we received. In FY 2018, we will begin hiring additional staff, achieving a full-time equivalent (FTE) level of 3,020 and positioning us to reach 3,100 FTE in FY 2019. The funding level will also allow us to invest in information technology and building facility projects that will improve efficiency and reduce long-term operating costs.

Our FY 2019 request is at the same funding level as FY 2018. With these resources, we will achieve a staffing level of 3,100 FTE, allowing us to better serve Congress as it addresses many critical domestic and international challenges and fulfills its oversight responsibilities, as well as enable GAO to continue making important contributions to improving government performance and accountability.

Fiscal Year 2019 Request

GAO is requesting budget authority of \$614.8 million for FY 2019. This will fund the necessary activities to continue to meet the highest priority needs of the Congress. The funding will allow us to cover mandatory pay and inflationary cost increases, and achieve increases in our on-board staff. The request includes an appropriation of \$578.9 million and \$35.9 million in offsetting receipts and reimbursements from program and financial audits, rental income, training fees, bid protest fees, and funds provided to GAO for mandated work.

The Congressional Budget Justification (CBJ) submitted in January presented a FY 2018 direct appropriation of \$540.8 million plus \$33.0 million in offsets reflecting the continuing resolution level. To avoid exceeding this level and out of uncertainty about the final appropriation, we developed a prudent hiring plan that would have resulted in 2,900 full time equivalents (FTE) in FY 2018.

With the two-year budget agreement and funding enacted for FY 2018, including \$10 million in 2-year funding for information technology and building infrastructure projects, we revised both our FY 2018 operating plan and our FY 2019 budget request. The information technology investments lower our operational costs in the long run and the investments in infrastructure will allow us to bring in a new tenant and increase our rental revenue. This will allow GAO to put more funds into human capital in the future. We now plan to accelerate hiring for the rest of this fiscal year. The revised plan will put us in a position to achieve 3,100 FTE in FY 2019 without an increase over the FY 2018 appropriation level, moving GAO closer to its optimal staffing level of 3,250 FTE. The chart below provides a summary by program for the revised FY 2019 request.

Table 1: FY 2017 – 2019 Summary of Resources by Program (dollars in thousands)

Program	Fiscal Year 2017 Actual		Fiscal Year 2018 Estimated		Fiscal Year 2019 Request		Net Change Fiscal Year 2018 / 2019	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Human capital	2,994	\$470,926	3,020	\$489,396	3,100	\$516,097	80	\$26,701
							2.6%	5.5%
Engagement support		\$10,452		\$12,750		\$12,750		\$0
								0.0%
Infrastructure operations		\$90,091		\$112,171		\$85,470		(\$26,701)
								(24%)
Center for Audit Excellence		\$545		\$500		\$500		\$0
								0.0%
Total budget authority	2,994	\$572,014	3,020	\$614,817	3,100	\$614,817	80	\$0
							2.6%	0.0%
Offsets ^a		(\$28,163)		(\$35,900)		(\$35,900)		\$0
								0.0%
Appropriation		\$543,851		\$578,917		\$578,917		\$0
								0.0%

Source: GAO. | GAO-18-426T

^aIncludes offsetting receipts and reimbursements from program and financial audits, rental income, training fees, bid protest fees, and funds provided to GAO for mandated work and funds from the disaster supplemental.

Meeting the Priority Needs of Committees Across Congress

The resources we received for FY 2018, and request for FY 2019, will allow GAO to continue to respond to Congress on a wide variety of issues covering the full breadth of the federal government's responsibilities. In addition, with increased staffing we will: 1) expand our focus on critical cybersecurity issues and the threats to the nation's critical infrastructure; 2) continue our focus on a range of rapidly evolving science and technology issues; 3) bolster our reviews of the increased investment in Department of Defense programs; and 4) assess the challenges associated with growing federal health care costs. In FY 2018, we plan to utilize 3,020 FTE, an increase of 120 over the level included in the CBJ. In FY 2019, we plan to utilize 3,100 FTE, an increase of 80 over the revised FY 2018 operating plan.

The FY 2018 operating plan and FY 2019 budget request reflect the utilization of the disaster supplemental. Currently GAO has eight audits under way and another 15 planned to start over the next 18 months. These audits involve multiple mission teams and range from reviews of Puerto Rico and US Virgin Islands economic and disaster recovery plans;

fraud risk management in Florida and Texas disaster assistance programs; and the federal response to the 2017 Western wildfires. Currently, we plan to use \$8 million of the disaster supplemental in FY 2018 and FY 2019 (approximately \$2 million and \$6 million, respectively).

Cyber-Based Threats to the Nation's Systems and Critical Infrastructure – The cyberattacks suffered by the Office of Personnel Management, Equifax, and other large organizations in recent years highlight the criticality of more effective cybersecurity. Threats from state and non-state actors are growing in sophistication and scope and can have a serious, or even potentially catastrophic, impact on federal systems, the nation's critical infrastructure, and the privacy and safety of the general public.

As Congress turns to GAO for insightful analysis and advice to address these rapidly evolving threats, recruiting top-tier cyber talent to augment our current audit workforce is critical. GAO plans to recruit talent from leading cybersecurity-related undergraduate and graduate institutions, including those participating in the CyberCorps Scholarship for Service program. This would augment our existing cadre of experts who can assess the nature and extent of cyber risks, both present and future, as well as evaluate the government's complex and multi-faceted attempts to address them.

In particular we plan to continue our focus on ensuring the security of federal information systems and cyber critical infrastructure,¹ two key components of our cyber High Risk area. Over the next 2 years, our planned efforts include assessing government-wide initiatives to implement continuous diagnostics and monitoring capabilities, establish effective risk management processes at federal agencies, and work with the private sector responsible for critical infrastructure.

Other planned activities include evaluating key agency capabilities for responding to security incidents and data breaches, as well as assessing

¹ Critical infrastructure includes systems and assets so vital to the United States that incapacitating or destroying them would have a debilitating effect on national security. These critical infrastructures are grouped by the following 16 industries or "sectors": chemical; commercial facilities; communications; critical manufacturing; dams; defense industrial base; emergency services; energy; financial services; food and agriculture; government facilities; health care and public health; information technology (IT); nuclear reactors, materials, and waste; transportation systems; and water and wastewater systems.

their security postures through detailed vulnerability assessments and penetration testing of agency network defenses. For example, the Explanatory Statement accompanying the 2018 Omnibus Appropriations Act required GAO to evaluate information security at the Office of Personnel Management and the Securities and Exchange Commission, both of which have had recent major data breaches.

Regarding the protection of cyber critical infrastructure, we plan to focus on the cybersecurity of specific sectors, such as the electricity grid, and oil and gas pipeline subsectors, and evaluate the effectiveness of the public-private partnership model as a framework for protecting the nation's critical assets from cyber threats.

Impact of Scientific and Technological Advances – Rapid advances in science and technology play an important role in our society as they can impact economic growth as well as the social and environmental well-being of the United States. Although such advances will remain central to the prevailing issues of our day, including economic competitiveness, improved medical care and the prevention of disease, and information security, the ability of the United States to lead these advances is increasingly challenged.

Given the persistent and growing demand for this technical work, GAO strives to continue to build our staff capacity in this growing area. We now have developed best practice guides related to capital project cost estimating, project scheduling, and assessing technology readiness, and will apply these guides in assessing multi-billion dollar federal projects at agencies including the Departments of Defense, Homeland Security, Energy, and the National Aeronautics and Space Administration.

We plan to expand and accelerate our work including potential technology readiness assessment evaluations of complex technical acquisitions such as the Columbia class Navy nuclear submarine, the Joint Strike Fighter, the James Webb Space Telescope, DHS border protection technologies, and Uranium Processing Facility. Strategic technology reports on artificial intelligence systems, freshwater technologies in agriculture, sustainable chemistry, and antibiotic-resistant bacteria will be completed or initiated by FY 2019. Based on interest expressed by various Committees of jurisdiction, potential future work would focus on block-chain technologies, artificial intelligence in health care, autonomous vehicles, and personalized medicine.

Assisting Congress in Overseeing and Transforming the Department of Defense – The Department of Defense (DOD) faces significant challenges in responding to a complex and rapidly evolving national security environment. Considerable resources are entrusted to it to do so, about 48 percent (more than \$671 billion) of discretionary appropriations for fiscal year 2018. This represents a nearly 10 percent increase over the fiscal year 2017 enacted level of almost \$612 billion. The President's budget for fiscal year 2019 further proposes to increase this to more than \$686 billion. Concurrently, DOD is working to sustain and advance its military superiority while it undergoes one of the most significant organizational realignments since the Goldwater-Nichols Act of 1986.²

Congress has directed GAO to review a broad range of DOD's activities. Since 2006, GAO has made over 3,000 recommendations to DOD designed to strengthen the department's programs and operations, and this work has resulted in over \$63 billion in financial benefits since fiscal year 2015. To inform the new Congress and administration, GAO highlighted much of this work last year in a special report identifying five key challenges facing DOD – rebalancing and rebuilding forces, mitigating cyber risks and expanding cyber capabilities, controlling costs and managing finances, strategically managing human capital, and achieving greater efficiencies in business operations – as well as the factors that have impacted the department's progress in these areas.

GAO will continue to allocate significant resources to review a broad range of DOD's activities. For example, the latest National Defense Authorization Act contains provisions for GAO to continue to support congressional oversight of DOD's efforts to balance current operational deployments with training and equipping forces capable of fulfilling the full spectrum of military operations, such as through assessments of the department's efforts to rebuild readiness and modernize for the future. We will further review the plans, organization and capabilities of the department's cyber operations; the safety and effectiveness of the U.S. strategic nuclear force; and DOD's investments in science and technology, which provide innovations to enhance the superiority of weapon systems now and in the future. We will assess the extent to which the Defense Contract Audit Agency and Defense Contract Management Agency are effectively and efficiently overseeing

² Public Law 99-433

contractors' primary business systems, such as accounting and property management.

We will also continue to assess the department's strategies and incentives for recruiting, retaining, and developing a workforce that accounts for nearly 50 percent of the department's budget, as well as contracting approaches DOD uses to buy the billions in goods and services needed to carry out its missions. Further, as DOD implements key organizational changes mandated by the Congress, we expect Congressional interest in the department's progress and associated impacts. These changes include the creation of a Chief Management Officer position and implementation of cross-functional teams to drive organizational change, as well as the creation of the offices of the Under Secretary for Research and Engineering and Under Secretary for Acquisition and Sustainment. We will also continue to assess DOD's progress in following Congressional direction to recommend a new organizational and management structure for its national security space components.

GAO will continue to focus on DOD issues through its work to update the biennial High Risk report for 2019. Seven DOD areas are included in our High Risk report, including financial management, weapon systems acquisitions, business systems modernization, and support infrastructure management, as well as designations in 11 additional areas, such as the government-wide personnel security clearance process, added to the High Risk list earlier this year, in which DOD shares responsibility with other federal agencies. GAO's annual work to review fragmentation, overlap and duplication in the federal government will report on DOD's efforts to achieve efficiencies, such as across its defense agencies and field activities, as well as efforts to achieve efficiencies in the management of its over 500 installations worldwide.

GAO's annual "Quick Look" reports, assessing the cost, schedule, and performance of about 80 major defense acquisition programs, help support the Congress in overseeing the department's \$1.5 trillion in planned spending on these systems. One particular focus in the coming year is on the costs, schedule, and technical capabilities of the Columbia class nuclear submarine program, one of DOD's largest acquisitions.

Finally, DOD's financial management challenges remain a High Risk area that continues to negatively affect DOD's ability to manage the department and make sound decisions on mission and operations. For example, DOD's financial management problems have contributed to (1)

inconsistent and sometimes unreliable reports to Congress on weapon system operating and support costs and (2) an impaired ability to make cost-effective choices, such as deciding whether to outsource specific activities or how to improve efficiency through technology.

DOD's financial weaknesses are one of three major impediments preventing a GAO opinion on the consolidated financial statements of the federal government. With DOD's reported discretionary spending making up nearly half of the federal government's reported discretionary spending, and its reported assets representing more than 70 percent of the federal government's reported physical assets, monitoring DOD's efforts to achieve auditability represents a major GAO responsibility. To fulfill that responsibility, we will, in coordination with the DOD Office of Inspector General, actively monitor (1) the financial audits of the military services and other defense organizations, and (2) DOD's progress in implementing corrective actions for identified deficiencies, which currently number over 1,000. With DOD's start of mandated full financial statement audits in fiscal year 2018, this effort will require increased levels of GAO staffing and resources.

Assisting Congress in Health Care Challenges – Growth in federal spending for major health care programs, estimated at \$1 trillion in fiscal year 2017, has exceeded the growth of GDP historically and is projected to grow faster than the economy.

These health care programs include Medicare, Medicaid, and the Children's Health Insurance Program, along with federal subsidies for health insurance purchased through the marketplaces established by the ACA and related spending. These federal commitments to health care programs are a key driver of the nation's fiscal spending. Growth in federal spending on health care is driven both by increasing enrollment, in part due to the aging of the population, and health care spending per person.

The federal government faces challenges to effectively and efficiently managing health care programs, including Medicare, Medicaid, and programs that serve American Indians, veterans, and military service members. Specifically, the demands to meet Americans' health needs are growing in volume and complexity while oversight is becoming more challenging. Understanding these complexities and offering fact-based recommendations to address them requires advanced policy and analytical expertise.

Our health care policy expertise is frequently sought out by Congress on a range of health care issues. In 2017, we issued products for 32 different Committees and Subcommittees that examined access to and quality of care, drug availability and pricing, program expenditures and integrity, the protection of public health, and health care markets.

We have made recommendations in these audit products to improve the efficiency and effectiveness of federal health care spending, and documented almost \$2 billion in savings in 2017 alone by agencies taking action on our recommendations.

GAO will continue to focus on health care issues through its work to update the biennial High Risk report. With our 2017 High-Risk Update, we designated the Indian Health Service (IHS) as high risk. This area joins four other federal health care programs on the High Risk list, Medicare, Medicaid, the Food and Drug Administration, and VA Health Care.

Finally, GAO will continue to devote resources for our health care work on the most pressing public health-related issues of today. For example, we have a growing body of work examining the federal government's response to the ongoing opioid epidemic, which killed more than 42,000 Americans in 2016. However, more work is needed on the federal government's efforts to prevent opioid and other illicit drug use. We will also continue to examine the pricing and utilization of health care services—key drivers of public and private health care spending and costs. Managing federal health care spending, and holding entities accountable for the outcomes of such spending, will be critical to restoring the nation to a fiscally sustainable long term path.

GAO Information Technology and Building Infrastructure

The resources we received for FY 2018, and request for FY 2019, will allow GAO to make strategic investments in information technology (IT), and GAO's facilities infrastructure. GAO greatly appreciates the two-year designation of \$10 million in Infrastructure Operations spending provided for in the FY 2018 budget. This funding flexibility will enable GAO to make sound capital investments in new technology and address important funding requirements in support of our building facilities that will increase efficiency, lower operating costs, and allow us to increase our rental revenue.

Information Technology – At present, GAO operates in a computing environment that is rapidly aging. We have made headway over the past few years to improve our infrastructure by implementing a virtual desktop

infrastructure and consolidating 11 remote field office data centers into a single primary data center at Headquarters. Additionally, we replaced older server technology for data storage with newer, faster, more efficient technology that strengthens the agency's security and reduces costs.

With the funding provided by Congress, we will be able to build on these past improvements and make additional critical investments that will further improve our effectiveness and efficiency and provide long term cost savings.

Modernizing our current communications system is an important project that is enabled by this funding. Our current technology is near its end of life and a significant capital expense would have been required to upgrade this old technology. Over the next two years, GAO will now upgrade to communications technologies that will greatly enhance GAO's capabilities and replace aging technology. GAO will be able to take advantage of key features incorporated into new tools that would not be possible with legacy systems.

For example, we will replace our obsolete video and teleconferencing equipment that is no longer supported and is proving to be extremely challenging to maintain and utilize effectively. We will upgrade our software to take advantage of integrated collaborative technologies, such as instant messaging, desktop sharing, and video conferencing. These technologies, VoIP services, in an integrated platform using digital voice services are less expensive to maintain saving GAO significant annual maintenance costs and recurring capital expenses. In summary, this improvement to our system will make it easier for our staff to work together more effectively, and is less expensive to operate.

Furthermore, this investment in GAO will enable us to begin the migration from our current document management system that is over 30 years old, to modern technology that provides greater capabilities. Our current document management system is used daily by all GAO staff and houses all of GAO's audit documents, as well as information obtained from agencies, and data analysis that forms the basis of GAO's products. The current system is slow and difficult to use, yet critical to our success. By upgrading the system, we will stabilize this important software platform and improve the user experience resulting in greater efficiencies.

This modernization effort will be built upon the success of previous work we have done to improve our infrastructure and develop tools that make our efforts to produce work more efficient. We will continue to upgrade

key systems that directly support the products and services we provide to the Congress. We have successfully implemented a new Engagement Management System (EMS) that helps us manage our work more efficiently and we have a prototype of the New Blue system that will both greatly improve how we create and share GAO content with our clients.

New Blue is an enterprise-wide effort which will allow GAO to easily publish web-based products in HTML format instead of the static PDF format in a way that reduces manual activities for analysts and publishing staff. It will enable analysts to perform different functions concurrently and eliminate the need for separate copies for drafting, referencing, and each review. It will also streamline publishing and enable consistent and flexible distribution via multiple channels with responsive design that will allow our reports to be read on any device.

An enormous amount of effort has gone into upgrading and securing our information technology systems and with this new flexibility and funding in FY 2018 and FY 2019 we are going to make substantial headway toward completing our modernization efforts.

Facilities and Security – While most of GAO's staff is located at its Headquarters in Washington, DC, we maintain a presence in strategic locations throughout the country and this remains a priority. GAO is consolidating space within its Headquarters building to ensure efficient utilization. With respect to our building investments, GAO is currently undergoing moves, as commercial leases expire, to secure federal office spaces in Oakland, California, Chicago, Illinois, Los Angeles, California, and Huntsville, Alabama. By moving into federal controlled space we are providing increased physical security for our employees and locally stored data.

We appreciate the support of the committee for providing us with the authority to transfer funding to the U.S. Army to build GAO a new building on the grounds of the Redstone Arsenal Army Base to house GAO's existing Huntsville staff. This new building will be a one-time expense, with no rent and minimal maintenance costs going forward saving GAO what it would have paid in rent. We expect completion of the new building in the next year. Additionally, with the two-year funding, we will make investments in our Headquarters building by consolidating and upgrading space enabling us to lease empty space to new tenants.

Assisting the Congress in Shaping Legislation

GAO continues to be recognized for its non-partisan, objective, fact-based, and professional analyses across the full breadth and scope of the federal government's responsibilities and the extensive interests of Congress.

Since our last budget request, Congress has passed a number of laws that reflect GAO findings and recommendations. For example:

- The **National Defense Reauthorization Act of 2018 (NDAA)** included several directives based on GAO findings and recommendations concerning defense-related and other issues. Specifically
 - Improving defense-related efforts in key areas such as budget guidelines; cost savings; leadership of business operations; military readiness goals and implementation strategies; potential vulnerabilities in military aircraft; risks to military installations from climate change; and sustainability for the F-35 combat aircraft.
 - Requiring additional reporting requirements to help keep the Columbia-class submarine program on track, raising the cost cap for the Ford-class carrier program, and directing changes to DOD's space leadership structure. In addition, the reauthorization includes funding reductions warranted by GAO findings.
 - Requiring annual reports on the time required to conduct investigations, adjudicate cases, and grant security clearances. This reflects a matter GAO raised for Congress's consideration in 2017, namely that such reporting should be reinstated given the need to continue efforts to reform the personnel security clearance process government-wide, an area that GAO placed on the high-risk list in January 2018.
 - Changing the Small Business Administration's Historically Underutilized Business Zone Program that provides federal contracting preferences for eligible small businesses. In making these changes, Congress relied on our analysis of the use of unemployment rates in making business zone designations to better target counties with depressed economic conditions.
- The **No Veterans Crisis Line Call Should Go Unanswered Act** directs the Department of Veterans Affairs (VA) to develop a quality assurance document for carrying out the toll-free Veterans Crisis Line requires VA to develop a plan to ensure that each telephone call, text message, and other communications received is answered in a timely

manner. These requirements reflect GAO's recommendations related to ensuring that veterans who called the crisis line had their calls answered in a timely manner.

- The FITARA Enhancement Act of 2017 extended until 2020 the deadline for federal agencies to optimize their data centers, reflecting the GAO recommendation that they be given more time to do so. In line with previous GAO findings, that act also made permanent the requirement that agencies evaluate, manage, and publicly report on the risk of their major information technology investments.
- GAO's reports and testimonies are also reflected in the **2018 Omnibus Appropriations Act**, including:
 - Using GAO work to direct agencies to implement GAO recommendations. For example, the act directed
 - the Department of Homeland Security to develop robust performance metrics for all deployed border security; begin the collection of performance data to evaluate the individual and collective contribution of specific technologies; and assess progress in fully deploying planned technologies and determine when mission benefits from such deployments have been fully realized, citing a GAO testimony; and
 - the Secretary of the Department of the Interior to take several steps to improve Indian education, including implementing GAO recommendations and restructuring Indian Affairs to better support management control and accountability for the Bureau of Indian Education system.
 - Requiring agencies to report on how they plan to implement GAO recommendations or what corrective action plans they plan to take. For example:
 - having the entity responsible for managing cybersecurity across the federal government and critical infrastructure, the National Cybersecurity and Communications Integration Center (NCCIC), report on plans to implement GAO recommendations to determine if it is carrying out its statutory functions, such as sharing information about cyber threats, in the way it should: making the information timely, relevant and actionable, and to establish performance metrics for them;
 - having the Bureau of Indian Affairs report on progress to implement recommendations on data to improve road

management and inform student attendance strategies, citing a GAO 2017 report;

- having the Indian Health Service report on how it will address GAO recommendations on setting and monitoring agency wide standards for patient wait time and IT issues related to this monitoring, citing a GAO 2016 report;
- having the Department of Defense (DOD) report on efforts to align the structure, statutory parameters and regulatory guidance across all Federal prescription drug buying programs to increase buying power and reduce costs, citing a GAO recommendation to the same effect; and
- having the Bureau of Indian Affairs report on barriers to developing strategies to properly manage oversight of energy resources, citing a GAO 2017 report.
- Finally, providing funding to enable activities aligned with GAO recommendations. For example, the act appropriated funds to:
 - the Department of Homeland Security to conduct regular assessments of advanced protective technologies related to cybersecurity, citing a 2016 GAO report; the Department of Health and Human Services for grants for clinical training of sexual assault nurse examiners to administer medical forensic examinations and treatments to victims of sexual assault, citing a GAO 2016 report; and the Veterans Health Administration for research into overmedication of veterans that led to veterans' deaths, suicides, and mental health disorders, among other things, citing multiple GAO reports.

Financial and Program Benefits

Financial Benefits – In fiscal year 2017, we documented \$73.9 billion in financial benefits for the government – a return of about \$128 for every dollar invested in us. Examples of our work that contributed to these benefits included (1) improving the Department of Defense's (DOD) processes for acquiring weapon systems (\$36.0 billion); (2) auctioning of the broadcast television spectrum by the Federal Communications Commission (\$7.3 billion); and (3) reducing the amount TRICARE pays for compounded drugs (\$1.9 billion).

Other Benefits – Many other benefits resulting from our work cannot be measured in dollars but lead to program and operational improvements. In fiscal year 2017, we recorded 1,280 of these other benefits. For example, our work on public safety and security:

-
- led the Nuclear Regulatory Commission to tighten its controls on licensing for possession of radioactive materials when, in one of our tests, investigators secured agreements to buy devices that, together, contained a dangerous quantity of material;
 - led FEMA to better prepare for its future disaster response activities by developing (1) a plan to finance equipment for its urban search and rescue task forces, and (2) a process to apply lessons learned from its incident management assistance teams; and
 - led the Food and Drug Administration to issue a final rule requiring drug companies to report data on the sale and distribution of antibiotics for use in food animals.

Similarly, our work related to vulnerable populations:

- led the Department of Health and Human Services (HHS) to issue a strategy addressing the use of opioids such as heroin and prescription pain medications during pregnancy, which can lead to newborns having a condition called Neonatal Abstinence Syndrome;
- led the Veterans Administration to improve its oversight and process for providing veterans newly enrolled in its health care system with timely access to primary care appointments; and
- led several agencies, including the Departments of Homeland Security, the Interior, and State, to better protect contractor employees against reprisal, when they identify fraud, waste, abuse, or mismanagement.

Furthermore, our work in the area of agency operations:

- led DOD to establish categories for prioritizing its more than 83,000 missing persons cases from military conflicts since World War II, based on the feasibility of recovery;
- prompted the Social Security Administration to not provide increases in monthly disability insurance benefit payments until it had determined if individuals' earnings required changes in benefits—preventing overpayments to about 4,300 beneficiaries in 2016;
- prompted DOD to strengthen its oversight of equipment provided to Iraq's security forces by developing new procedures for recording equipment transfer dates and making other planned changes to improve accountability; and
- led OMB and the Department of the Treasury to improve implementation of the Digital Accountability and Transparency Act of

2014 (P.L. 113-101) by clarifying requirements, using implementation plans, and documenting procedures.

Building Bodies of Knowledge

Through the products we issued in fiscal year 2017, we continued to build on bodies of work to address our three broad strategic goals for serving the Congress and the nation to (1) address current and emerging challenges to the well-being and financial security of the American people, (2) help respond to changing security threats and global interdependence, and (3) help transform the federal government to address national challenges. Examples include:

Protection of children – We reported on the (1) federal support for pediatric trauma care centers—used to treat children with potentially life-threatening or disabling injuries; (2) federal support for states to oversee the use of psychotropic medications for children in foster care; and (3) federal coordination on early learning and childcare.

Veterans – We reported on the need to improve (1) management of veterans' health care, (2) protections for veterans against financial exploitation; and (3) the Department of Veterans Affairs' use of vacant and underutilized property to house homeless veterans.

Health care – We reported on the (1) actions needed to prevent illegal drug use, such as opioids; (2) federal efforts to position the physician workforce to meet current and future demands; and (3) need to harmonize federal and state rules to better protect Medicaid beneficiaries receiving personal care services.

Science and technology – We reported on (1) the Internet of Things, smart technologies and devices that sense information and communicate it to the Internet or other networks—offering new benefits and potential risks to IT, privacy, and safety; and (2) medical device technologies designed to rapidly diagnose infectious diseases.

Military readiness – We reported in FY 2017 and prior years on the: (1) considerable readiness challenges facing the Military Departments; (2) need for better strategies, goals and metrics for guiding the departments' readiness rebuilding efforts, and more oversight of these efforts by the Office of the Secretary of Defense; and (3) Navy's training, manning and infrastructure challenges that have contributed its readiness crisis.

High Risk areas – We issued the biennial update of our high-risk report to focus attention on government operations that are highly vulnerable to fraud, waste, abuse and mismanagement or need transformation. It offers solutions to 35 high-risk problems, including four new areas, federal Indian education, health, and energy programs; federal environmental liabilities; government-wide personnel security clearance processes; and the 2020 Census (see Enclosure I). For example, we reported on the enormous challenge that a complete count of the nation's population is for the Bureau of Census as it seeks to control the cost of the census while it implements several new innovations and manages the processes of acquiring and developing new and modified information technology (IT) systems supporting them. Over the past 4 years, we have made 33 recommendations specific to the Bureau regarding the 2020 Census. As of October 2017, the Bureau had fully implemented 10 of the recommendations, and was at varying stages of implementing the remaining recommendations.

In 2017, our High Risk work contributed to 154 reports, 43 testimonies, \$42.2 billion in financial benefits, and 519 other benefits. In the last decade this work has led to about \$240 billion in financial benefits.

Fragmentation, overlap, and duplication – Our seventh annual report identified 79 new actions across 29 new areas that could reduce fragmentation, overlap, and duplication, or provide other cost savings and revenue enhancement opportunities across the federal government. Actions taken by the Congress and executive branch agencies to address the 645 actions government-wide we identified from 2011 to 2016, have led to about \$136 billion in financial benefits – \$75 billion to date, with \$61 billion more expected.

Testimonies – In FY 2017, senior GAO Officials testified 99 times before 45 separate committees or subcommittees on issues that touched all major federal agencies. The following, listed by our three strategic goals, are examples of topics GAO addressed in testimony:

Table 2: Selected GAO FY 2017 Testimonies

Goal 1: Address Current and Emerging Challenges to the Well-being and Financial Security of the American People	
<ul style="list-style-type: none"> Controlling Medicaid's Improper Payments Restoring US Postal Service's Fiscal Sustainability Addressing Serious Weaknesses in Federal Programs Serving Indian Tribes Improving the Small Business Administration's Disaster Loan Assistance Providing Health Insurance Under the Patient Protection and Affordable Care Act Ensuring the Privacy and Accuracy of Face Recognition Technology 	<ul style="list-style-type: none"> Strengthening Oversight of the Low Income Housing Tax Credit Using Lessons Learned from SafeTrack to Improve Future Rehabilitation Projects Early Observations on Implementation of the Every Student Succeeds Act Improving Federal Management of Indian Energy Resources Addressing Department of Energy's Management Challenges
Goal 2: Respond to Changing Security Threats and the Challenges of Global Interdependence	
<ul style="list-style-type: none"> Observations on the Use of Force Management Levels in Afghanistan, Iraq, Syria Observations on Implementation of Federal Immigration Laws – Northern Mariana Islands Addressing Challenges to DOD's Delivery of Critical Space Capabilities Enhancing Controls Over DOD's Excess Property Observations on Challenges Facing Navy Readiness 	<ul style="list-style-type: none"> Improving DHS's Border Security: Addressing Threats Posed by High-Risk Travelers and Strengthening Visa Security Increasing DOD's Accountability Over Equipment Provided to Iraq's Security Forces Improving the Response to Zika Virus Outbreaks Strengthening US Cybersecurity Capabilities Addressing Critical Acquisition Decisions for the Littoral Combat Ship and Frigate
Goal 3: Help Transform the Federal Government to Address National Challenges	
<ul style="list-style-type: none"> Address DATA Act Implementation Challenges Improving Anti-Fraud Efforts for Social Security Administration Disability Benefits Improving IG Oversight of the Architect of the Capital Operations Protecting Older Adults from abuse by Guardians Addressing Improper Payment Estimates and Ongoing Efforts to Reduce Them Reducing Fragmentation, Overlap and Duplication in Federal Programs Improving Implementation of IT Reform Law Critical to Effective Management 	<ul style="list-style-type: none"> Addressing Cybersecurity Workforce Challenges Reducing Collection, Use and Display of Social Security Numbers Using Leading Human Capital Practices to Improve Agency Performance Assessing Progress on Preparations for the 2020 Census Addressing Implementation Challenges with IRS' New Wage Verification Process Improving Government Efficiency and Effectiveness to Reduce Federal Costs Improving VA's Management of IT

Source: GAO. | GAO-18-426T

Focusing on Congressional Priorities

Serving Our Clients – In fiscal year 2017, we received 739 requests for work from 92 percent of the standing committees of the Congress – supporting a broad range of congressional interests. We issued 658 reports and made 1,414 new recommendations. Our senior executives were asked to testify before 45 separate committees or subcommittees on topics including the nation's fiscal health; Navy readiness; preventing high-risk travelers from boarding U.S. bound flights; and improving the response to Zika virus outbreaks. Our testimonies continued to

underscore the importance of implementing GAO's recommendations to strengthen the government's performance and yield financial benefits.

Outreach Efforts – I continued my regular meetings with the Chairs and Ranking Members of congressional committees to obtain their views on GAO's work, including their priorities, and to discuss opportunities and challenges facing our nation.

I also sent letters to the heads of most federal departments to acknowledge the actions taken to date to implement our prior recommendations and to draw their attention to priority recommendations still requiring their attention. These letters were also sent to the congressional committees of jurisdiction to inform their oversight.

We continue to collaborate with the Congress to revise or repeal mandated reporting requirements to align our work with current congressional priorities and maximize our staff resources. For example, S. 2400, the GAO Audit Mandates Revision Act of 2018, would shift many low-risk financial audits to public accounting firms so GAO can audit Treasury's General Fund. The fund, which has never been audited before, covers every federal entity that receives appropriated funds.

Internal Improvements

Supporting Our People – The hard work and dedication of our diverse and professional multidisciplinary staff positioned GAO to achieve a 96 percent on-time delivery of our products in fiscal year 2017. Our performance this year also indicates that staff received the support needed to produce high-quality work. GAO also continued its distinction as a best place to work in the federal government, ranking second among mid-size federal agencies and first for supporting diversity by the Partnership for Public Service.

Managing Our Internal Operations – In fiscal year 2017, we continued efforts to maximize our value by enabling quality, timely service to the Congress and being a leading practices federal agency. We made progress addressing our three internal management challenges – human capital management, engagement efficiency, and information security. To enhance engagement efficiency, we fully transitioned to an updated engagement management process and new management system.

We also undergo an annual independent financial statement audit. For FY 2017, our financial statements received an unmodified "clean" opinion once again. This unmodified opinion along with our effective internal controls, demonstrate our sound stewardship of the taxpayers' dollars

entrusted to us. Our independent auditors found that GAO maintained, in all material aspects, effective internal control over financial reporting, and our financial management systems substantially complied with the applicable requirements of the Federal Financial Management Improvement Act of 1996.

In addition, independent organizations perform a peer review of GAO's system of quality control for work done under generally accepted government auditing standards to determine whether it is suitably designed and operating effectively. The peer review includes a review of audit documentation, tests of functional areas, and staff interviews. Our most recent external peer review, conducted by a team of international auditors, resulted in a clean opinion on the effectiveness and appropriateness of our quality assurance framework. We also demonstrated that our detailed performance and financial information is complete and reliable and meets our high standards for accuracy and transparency.

Legal Work

In FY 2017, our Office of General Counsel created an electronic bid protest filing system, handled about 2,600 bid protests, issued over 500 bid protest and other decisions, including appropriations law decisions, and issued the third chapter of the fourth edition of *"Principles of Federal Appropriations Law"*. This is the primary resource for appropriations law guidance in the federal community.

Strategic Planning

I am pleased to announce that GAO has issued our 2018-2023 Strategic Plan for Serving the Congress and the Nation (See Enclosure II). As the United States confronts a series of new and long-standing challenges, GAO will rely on this latest strategic plan to guide our efforts to help make government more accountable, efficient, and effective and, ultimately, help improve the safety, security, and well-being of the American people.

Our plan outlines a number of important drivers and trends that will shape GAO's work in the coming years, in areas such as national security and defense, health care, and new developments in science and technology. GAO's new plan consists of three components:

- Goals and Objectives ([GAO-18-1SP](#)),
- Key Efforts ([GAO-18-395SP](#)), and
- Trends Affecting Government and Society ([GAO-18-396SP](#)).

This 3-part format enables the trends and key efforts to be updated periodically to reflect rapidly changing external forces and shifts in priorities. By periodically reviewing our plan, GAO will remain agile and responsive to the areas of greatest national concern and usefulness to the Congress and the public. Prior to issuance a draft was shared for comment by Congress, employees and external stakeholders.

Center for Audit Excellence

The Congress authorized GAO to establish a Center for Audit Excellence (the Center) in 2014 to provide training and technical assistance to enhance the capacity of domestic and international accountability organizations. Although GAO contributes to a number of efforts that promote good governance and enhance accountability community capacity, the Center is unique in its ability to tackle complex training and capacity building projects because it can offer a wide range of services at locations throughout the world. The Center is authorized to charge fees for its services to facilitate recovery of its costs.

Since the Center's opening in October 2015, the Center has provided training or technical assistance services to nearly two dozen federal, state, local, and international organizations. The Center expanded its volume of work significantly between FY 2016 and FY 2017, collecting \$41 thousand in fees in FY 2016, its first year of operation, and \$345 thousand in fiscal year 2017. The Center also signed a Memorandum of Understanding with the U.S. Agency for International Development, a key partner to the Center in promoting accountability among developing nations.

During fiscal year 2017, the Center enhanced the capacity of 15 domestic and international accountability organizations. Domestically, the Center provided high quality training to promote greater understanding of Government Auditing Standards (the Yellow Book), internal control, performance auditing, report writing and other topics to five state and local audit offices, three federal audit organizations, and four other domestic audit organizations. Based on formal and informal feedback, the organizations and the vast majority of training participants found the training to be greatly useful. Moreover, several audit organizations have returned to the Center repeatedly for training and technical assistance to help their staff build capacity in applying auditing concepts and tools introduced in Center training classes.

The Center also expanded its work and achieved positive impact in working with international accountability organizations in fiscal year 2017.

The Center provided training and technical assistance to a Supreme Audit Institution in Eastern Europe that enhanced its capacity to conduct information technology audits. The Center also worked with the Millennium Challenge Corporation to develop and start a project that is helping to enhance the capacity of a Supreme Audit Institution in Central America. Most recently, the Center worked with the US Agency for International Development to finalize an agreement for the Center to assess and identify ways to build the capacity of a Supreme Audit Institution and internal audit organization in an African country.

The Center continues to implement its Business Plan and look for additional ways to build on the successes achieved and find additional ways to further strengthen the capacity of accountability partners to help enhance the oversight of U.S. federal funds used domestically and across the globe. For example, during fiscal year 2018, the Center plans to expand its international work further by leveraging its Memorandum of Understanding with USAID and building on outreach and partnerships with other organizations such as the World Bank.

Concluding Remarks

We value the opportunity to provide Congress and the nation with timely, insightful analysis on the challenges facing the country. I would like to thank the Committee again for its support of GAO and the FY 2018 Budget. Our FY 2019 budget requests the resources to ensure that we can continue to address the highest priorities of the Congress.

Our request will allow us to continue building our staffing level and provide our employees with the appropriate resources and support needed to serve the Congress effectively. This funding level will also allow us to continue efforts to promote operational efficiency and address long-deferred information technology investments and maintenance. We will also continue to explore opportunities to generate revenue to help offset our costs.

I appreciate, as always, your careful consideration of GAO's budget and your continued support.

Enclosure I: GAO's 2018 High Risk List

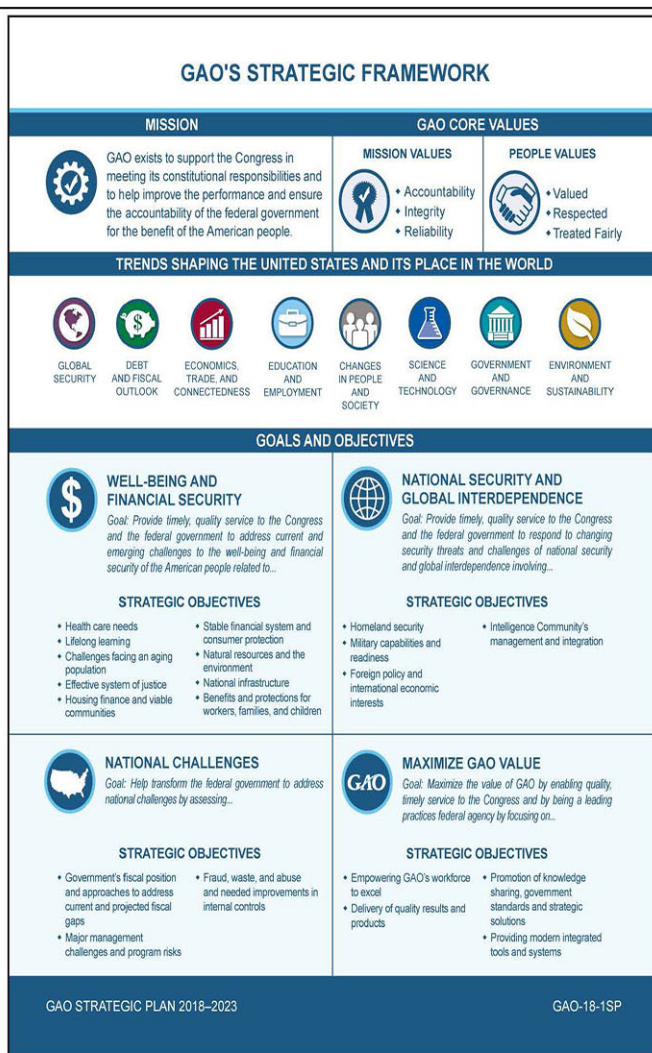
High Risk Area	Year Designated
Strengthening the Foundation for Efficiency and Effectiveness	
• Improving Federal Programs that Serve Tribes and their Members (<i>new</i>)	2017
• 2020 Decennial Census (<i>new</i>)	2017
• U.S. Government Environmental Liabilities (<i>new</i>)	2017
• Improving the Management of IT Acquisitions and Operations	2015
• Limiting the Federal Government's Fiscal Exposure by Better Managing Climate Change Risk	2013
• Management of Federal Oil and Gas Resources	2011
• Modernizing the US Financial Regulatory System and the Federal Role in Housing Finance	2009
• Restructuring the US Postal Service to Achieve Sustainable Financial Viability	2006
• Funding the Nations Surface Transportation System	2007
• Managing Federal Real Property	2003
• Strategic Human Capital Management	2001
Transforming Defense Department Program Management	
• DOD Approach to Business Transformation	2005
• DOD Support Infrastructure Management	1997
• DOD Business Systems Modernization	1995
• DOD Financial Management	1995
• DOD Supply Chain Management	1990
• DOD Weapon Systems Acquisitions	1990
Ensuring Public Safety and Security	
• Government-wide Personnel Security Clearance Processes (<i>new</i>)	2018
• Mitigating Gaps in Weather Satellite Data	2013
• Protecting Public Health through Enhanced Oversight of Medical Products	2009
• Transforming EPA's Processes for Assessing and Controlling Toxic Chemicals	2009
• Ensuring the Effective Protection of Technologies Critical to US Nations Security Interests	2007
• Improving Federal Oversight of Food Safety	2007
• Strengthening Department of Homeland Security Management Functions	2003
• Ensuring the Security of Federal Information Systems and Cyber Critical Infrastructure and Protecting the Privacy of Personally Identifiable Information	1997
Managing Federal Contracting More Effectively	
• DOD Contract Management	1992
• DOE's Contract Management for the National Nuclear Security Administration and the Office of Environmental Management	1990
• NASA Acquisition Management	1990
Assessing the Efficiency and Effectiveness of Tax Law Administration	
• Enforcement of Tax Laws	1990

Enclosure I: GAO's 2018 High Risk List

High Risk Area	Year Designated
Modernizing and Safeguarding Insurance and Benefit Programs	
• Managing Risks and Improving VA Health Care	2015
• National Flood Insurance Program	2006
• Improving and Modernizing Federal Disability Programs	2003
• Pension Benefit Guaranty Corporation Insurance Programs	2003
• Medicaid Program	2003
• Medicare Program	1990

Source: GAO. | GAO-18-448T

Enclosure II: GAO's Strategic Plan Framework



GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

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